

Full Cost Decision Memorandum #1**Issue:**

The level at which Agency-wide, full cost budgets are formulated and executed needs to be defined and applied consistently.

Source / reference:

Report from the Budget Execution Working Group, Issue / Option paper, "Appropriate Full Cost level and relationship to the new theme structure."

Background:

Current policy, as defined in the Yellow Book, requires that the lowest level for reporting full cost be at the project level. In the context of full cost, a project has been defined as an element of a program that is separately managed, separately budgeted, and is uniquely identified within NASA budgeting and accounting systems. Though the definition of what a "project" is may be debatable in other forum, this has been interpreted and applied in the financial classification structure as an entity at either the "three or five digit UPN level."

Note that the NASA Fiscal Year 04 budget submit was presented in full cost at the project level, and that this is a requirement for the formulation of the FY 05 budget also.

Urgency / impact:

	<i>L</i>					<i>H</i>
	1	2	3	4	5	
<i>Urgency for decision</i>						✓
<i>Impact if not resolved</i>						✓

Options:

Any option beyond that being recommended would be a material departure from current policy and operations. In addition, the workload burden placed on the Centers by requiring Agency-wide full cost budgeting and accounting at a lower level presents a severe threat to implementing the Full Cost Initiative. It should be noted that the Core Financial system provides the flexibility for projects to account for costs at much lower levels of detail than the 3 or 5 digit UPN level. However, this level of detail is not required for Agency-level, full cost management and reporting purposes.

Recommendation:

As per the Full Cost Policy and Operations Team, it is recommended that:

- NASA reaffirm the existing guidance to implement Full Cost at the level at which its programs and projects are managed, namely at the 3 or 5 digit UPN level. It is recognized that Centers will formulate and execute budgets at a lower level, however, the common level of detail required for Agency level management and external communications regarding application of NASA's resources will be at the project level; and
- Funds are released from Headquarters to the Centers at the 3 or 5 digit UPN level only.

Decision made

Accept recommendation



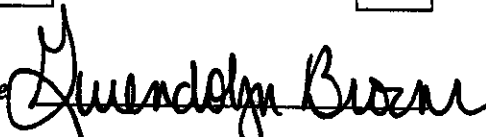
Reject recommendation



Require further study



Signed for the FC Committee



JUN 19 2003

Full Cost Decision Memorandum # 2**Issue:**

There are no guarantees that the new Theme-based budget structure in Full Cost will be enacted as proposed on 1st October. Clear and concise working assumptions related to operating under a continuing resolution (CR) or alternate enactments have not been communicated to NASA stakeholders. This impacts all those charged with preparing working policies, procedures, and systems to execute the FY04 budget under the Theme-based structure in Full Cost. In addition, a strategy for communicating these assumptions and gaining some assurances from external stakeholders (such as OMB and constituents on the Hill) is not in place. The prevailing uncertainty presents a significant threat to the success of the Full Cost Initiative.

Source / reference:

Report from Dan Walker, "FY2004 Full Cost Operations in IFMP Core Financials."

Background:

It is imperative that we prepare for full cost operations expecting a continuing resolution (CR.) In order to put in place working policies and procedures and to configure supporting systems, certain assumptions regarding the expectation of a CR and operating as a "going concern" need to be made and communicated to NASA stakeholders. These stakeholders are principally the Center CFOs, RMOs, and project managers in the IFM Program. The impacts of not making some working assumptions are enormous. For example, unless assumptions are made and communicated now, this will impact:

- Being able to execute the budget on the 1st October: We only have time and resources for one shot at configuring Core Financials, to include for example the UPN structure, Themes becoming Congressional Operating Plans, release from fund sources, funds control processes, etc.; and
- Being able to record costs on the 1st October: The Core Financials system requires that a budget be in place in every funds center before posting costs – no budget, no recording costs, therefore
 - Budgets will need to be entered into Core Financials *before* 1st October;
 - Our first payroll is on 10th October; and
 - Staff will be traveling on 1st October.

At the same time, these assumptions should form the basis of a set of requirements and a strategy for seeking approval and / or relief from our external constituents.

Urgency / impact:

	L					H
	1	2	3	4	5	
Urgency for decision						✓
Impact if not resolved						✓

Options:

Any option beyond that being recommended would pose a material threat to the success of the Full Cost Initiative.

Recommendation:

As per the Full Cost Policy and Operations Team, it is recommended that:

- Code B communicates working assumptions on operating as a going concern, to include (at a minimum):
 - That we will be executing a Theme-based budget in Full Cost on 1 October;
 - That there will be no external limitation on reprogramming funds for salaries, benefits and travel, and available for two years;
 - That Themes become Congressional Operating Plans;
 - That all elements of cost (labor, travel, all other) will be contained at the project level;
 - That apportionments will be at a high level and low in frequency to dilute transaction volumes; and
 - That the FY04 Theme-based budget in Full Cost can be entered into Core Financials in September (or earlier.)
- Code B develops a strategy to communicate these assumptions to external stakeholders and gains some assurances that NASA will be permitted to execute the FY04 Theme-based budget in Full Cost under a CR. In addition, precedents of similar forms of relief should also be sought to support this strategy.
- Code B develops an alternative plan of action for each of the assumptions made, should the proposed strategy not be effective due to constraints applied by external stakeholders.

Decision made

Accept recommendation

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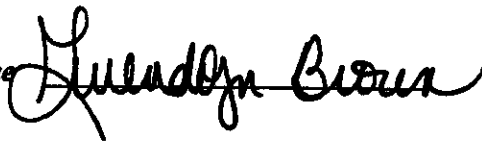
Reject recommendation

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Require further study

☐

Signed for the FC Committee



JUN 19 2003

Note: This recommendation was accepted upon IFM systems being configured to execute a Theme-based budget under full cost. In addition, Code B are tasked with 1) identifying similar precedents to support any provisions for relief; 2) determining a rough order of magnitude for the amount of an initial apportionment; and 3) to establish a "no later than" date by which significant actions, particularly configuring IFM systems, cannot be undone.

Feedback

From	Comments
Tom Luedtke, FC Committee	I concur with the recommendation
John Beall, JSC	Memo 2: It seems like this memo is directing Code B to "do its job". It would be better for the memo to document the working assumptions, rather than just passing off this action to Code B.
Jim Bevis, Stennis	<p>Decision Memo #2: Wording on Recommendation needs to be cleaned up to make the following points:</p> <ol style="list-style-type: none"> 1) Need to eliminate FS41/42 budget controls beginning in FY 04; 2) Civil Service salaries/benefits/travel converted to 2-year funding along with rest of R&D funding; 3) Resources should be issued to centers at project level w/o being broken down by pcmts, cs support, travel, service pools, g&a. Let this be done by centers. <p>Strongly agree with the notion that Operating Plans should reflect themes. But are you suggesting that op plan controls be set at the Theme level? If so, that would be extremely helpful. That sets us at 16 control levels with congress and that's probably low enough!</p> <p>Last point re: devmt of an alternative plan of action. The Full Cost Team should develop workarounds for any constraints imposed by OMB, Congress, IFM and present them to Code B for concurrence. Based on history, I'm concerned that Code B is not prepared to deal some of these issues without some help.</p>
Dan Tenney, LaRC	Memorandums 1&2 – Agree and have no further comments
Julie Baker, IFMP	The Budget Formulation team is moving forward on planning to support the Theme based structure and full cost. Theme structure will be part of the Feb. 04 release (i.e. not available for reporting until then), however the Oct. 03 deployment will fully support full cost. I agree with Pam's point below relative to the agreements reached on 5/2/03. In addition, I think we have to be very careful to assess any changes made to the fundamental structure of the FCS (like removing fund source from the fund structure or commitment item) on the integration between Budget Formulation and Core. In BF, planning by Fund Source is transparent to the user, however it is a fundamental part of the system design code, and could have a major impact on our ability to integrate the two systems. So at a top level, it may seem to have no impact, we need adequate time to really assess the impact of proposed changes.
Pam Cucarola, IFMP	<p>To effectively implement full cost, we do not want to have limitations on labor and travel dollars imposed on us by external parties. That part I understood and agreed with. Just wanted NASA to understand that internally we will be forced to live with those limitations until we implement Enterprise Upgrade for FY 2005 processing.</p> <p>I think we're in sync on that point.</p>

Full Cost Decision Memorandum # 3**Issue:**

The current list of the major service pools needs to be revised and standardized, with a consistent naming convention and definition of content. While most of the service pools lend themselves to common services and activities found across the Agency, some Centers require the ability to depart from these standards. (Note that issues related to the basis of charging for services falls under a separate decision memorandum.)

Source / reference:

Report from the Service Pools & Center G&A Working Group, "Center G&A and Service Pools," pp 35-42.

Background:

The following list represents the six standard service pools presented by the Working Group:

Facilities Service Pool
Information Technology Service Pool
Science and Engineering Service Pool
Fabrication Service Pool
Test Service Pool
Wind Tunnel Service Pool

Four further requirements relate to the use of standard service pools:

- Establishing and using pools outside of the standard service pools: The Yellow Book recognizes that Centers may need to create additional Center unique service pools. For consistency in naming convention and content definition, consultation with Code B is required and agreements are documented;
- Rolling up Center unique service pools to standard service pools: this ability needs to be maintained for comparability purposes, even if only at the reporting level for standard service pools;
- Not using all of the standard service pools: the Yellow Book states that, "The benefits received from each pool should outweigh the cost of establishing and maintaining that pool." A Center must use the standard service pools unless no services in this activity are provided, or it can be clearly demonstrated that there is no sound basis for doing so; and
- Change in standard service pools and content: to reflect current operations for some of the standard service pools; for example, publishing activities, currently listed in the Yellow Book as a standard service pool, are considered immaterial in activity and cost, and custodial costs should be included in the Facilities Service Pool.

Urgency / impact:

This is a Core Financial configuration issue, and therefore urgency and impact are high.

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	1	2	3	4	5	
Urgency for decision						✓
Impact if not resolved						✓

Options:

A number of variants are possible for the creation of standard service pools, though for brevity only the recommended options presented by the Service Pools & Center G&A Working Group are included in this memorandum.

Recommendation:

As per the Full Cost Policy and Operations Team, it is recommended that:

- The Publishing Service Pool is eliminated and related costs included in Center G&A;
- Custodial costs should be included in the Facilities Service Pool;
- The above list of standard Service Pools be applied consistently and follow a naming convention and common definitions as defined in the Yellow Book and maintained by Code B;
- All Centers must use the standard service pools, unless it is clear that the cost of operating the service pool exceeds any accruing benefit, or a Center does not conduct activities as defined by the standard service pools. The Center CFO is responsible for presenting the case for not using standard service pools, and approval must be given and documented by Code B;
- The establishment of new Center unique service pools, such as GSFC's Safety and Mission Assurance service pool, will be allowed with the permission of Code B. Such approval will be based on a sound case for deviating from policy. The Center CFO will be responsible for requesting additional Center unique service pools. Code B will be responsible for updating the Yellow Book and for maintaining operational consistency, naming conventions, and content definition across the agency; and
- Any Center unique service pools must roll-up to / be mapped to standard service pools for comparability and benchmarking purposes (at a minimum at the reporting level) and in future changes to any coding structures, Code B is responsible for making the policy, with the Competency Center for executing changes.

Decision made

Accept recommendation

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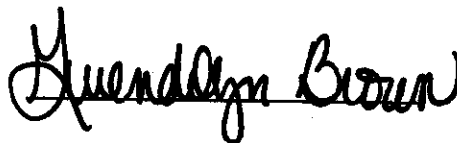
Reject recommendation

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Require further study

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Signed for the FC Committee



JUN 19 2003

Note: This recommendation was accepted contingent upon a review of the coding structure for sub-pools.

Feedback

From	Comments
Tom Luedtke, FC Committee	I concur with the recommendation.
Julie Baker, IFMP	<p>I think the terminology is confusing in this paper. The six standard service pools are clearly established and listed. The confusion in my mind is the relationship between unique Center pools to the six standard pools. I think you can read this memo to say that Center unique pools are in fact sub-pools to the six standard pools - if that is true, then they need to be called sub-pools in order to preserve that relationship.</p> <p>The recommendations in the paper emphasize that the six pools are established as the core of our service pool structure, and all other sub-pools need to map to it. Otherwise, I believe the list of six standard pools will grow by whatever number of unique pools is established at the Centers. BF is designed to support whatever is established in the Core master data structure.</p> <p>The paper puts Code B as the decision maker on changes to the Service pool structure. What about the IFM Competency Center role in maintaining some kind of naming convention discipline? The explosion of the sub-pool structure is a real issue - is that to be addressed in a later memo?</p>
Rick Keegan, Code Y	Minor edits to remove specific comments re GSFC and SMA service pool
John Beall, JSC	Memo 3: No issues.
Jim Bevis, Stennis	Decision Memo #3: No Comment
Dan Tenney, LaRC	<p><u>Memorandum # 3 (Service Pools and G&A standardization)</u></p> <p>The overall discussion of this decision memorandum relates to service pool and G&A consistency across the Agency. We support the position to have standard services and G&A content. Many analyses have been performed to document the rationale for the existing 6 standard Agency service pools and G&A elements. The need for consistency is paramount to the success of full cost comparability and standardization in the Agency financial system (IFM).</p> <p>We support the notion of HQ/Code B approving any deviations from the six standard service pools and/or the G&A content defined in the yellow book. We suggest any Center requesting unique services be required to perform a business case analysis to HQ on the proposed deviation from Agency standards. In that regard, the business case may demonstrate the need for implementation of such services at all Centers.</p> <p>Most Centers have some unique services, such as Plumbrook at GRC and NASA Research Park at ARC. In each of these cases, the Centers were approved to include these unique cost elements in Center G&A. The inclusion of such unique costs in the Center G&A helps to maintain the comparability of Agency service operations across the Centers. In that regard, the Agency should consider complete standardization of service operations prior to the implementation of full cost on October 1, 2003. Beginning the full cost initiative with standardization should help initial comparability across Centers and institute the overall philosophy of One-NASA. The only remaining Center unique service pool is the Safety and Mission Assurance (SMA) at GSFC. The yellow book and the full cost team documented that all Centers should include Center-wide SMA activities in G&A and any SMA activities tied to a specific project as direct. The current deviation at one Center may lead to other Centers requesting the same deviation. A further study, such as the aforementioned business case analysis, should be performed to determine if the need for such a unique service is viable at the Center and across the Agency.</p>

<i>From</i>	<i>Comments</i>
Wanda Nelson, IFMP	The only unique pool currently is GSFC's S&MA Pool, which received official approval from Code B. The others are sub-pools which met the guideline in the Yellow Book. So I think we are okay from the grandfathering in perspective.

Full Cost Decision Memorandum #4**Issue:**

The Congressional threshold of \$500,000 on operating plan changes in budget execution results in a significant constraint under Full Cost operations.

Source / reference:

Code R specific issue raised relating to moving funds among projects during the year of execution.

Background:

Currently, the Agency must obtain approval to move budget authority among projects for any change that exceeds \$500,000. This long-standing process preceded NASA's move to full cost operations and significantly larger full cost project budgets. The process results from Congressional appropriator's interest in rigorously controlling agency financial matters. NASA anticipated potential complications with this matter and requested and received authority to transfer funds among certain accounts. The specific authority follows.

- "(b) To ensure the safe, timely, and successful accomplishment of Administration missions, the Administration may transfer amounts for Federal salaries and benefits; training, travel and awards; facility and related costs; information technology services; publishing services; science, engineering, fabrication and testing services; and other administrative services among accounts, as necessary." PL106-377, (Oct. 27, 2000)

Under full cost practices, the \$500,000 threshold significantly complicates and hinders Agency financial support/mission performance. For example, a simple change of 3 civil service Full Time Equivalent (FTE) staff from one project to another without offsetting reductions can breach the \$500,000 threshold. To manage in full cost, Agency project managers require reasonable flexibility to efficiently and effectively achieve mission milestones without having to obtain Congressional approval for every small change in resources.

Urgency / impact:

	L					H
	1	2	3	4	5	
Urgency for decision				✓		
Impact if not resolved				✓		

Options:

1. Seek congressional approval to eliminate or enlarge threshold; or
2. Leave the constraint at the current levels

Recommendation:

As per representation from Code R, it is recommended that:

- Code B seeks approval to eliminate or enlarge (for example, up to \$5 million) the operating plan threshold. A larger threshold could be applied at a preferred program or theme level.

Decision made

Accept recommendation

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Reject recommendation

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Require further study

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Signed for the FC Committee

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JUN 19 2003

Feedback

From	Comments
Rick Keegan, Code Y	I thought Steve I.'s master plan for the new budget structure would require operating plan changes only for transfers at the Theme level, not at the project level. (this might still represent a significant constraint in some Enterprises, but not Code Y.)
Tom Luedtke, FC Committee	I concur with the recommendation
John Beall, JSC	Memo 4: Does the \$500K threshold apply to pools, G&A, and civil service? The bulleted text in the background makes it seem like the \$500K threshold may not apply.
Jim Bevis, Stennis	Decision Memo #4: We support any efforts at getting the dollar threshold raised above \$500K. The higher the better. But the dollar threshold should be established in conjunction with the determination of the proper op plan controls. If controls are set at the theme level as proposed in memo #1, then \$5M may be too low; if controls are set lower than this then \$5M may be too high.
Julie Baker, IFMP	The \$500K threshold for Operating Plan changes has been highly constraining, in large part because of the large number of "lines" in the Operating Plan. Given the assumption that the Congressional Operating Plan control will be set at the Theme level, I believe this is going to create much more flexibility, since there are only 18 themes (that number may not be precisely correct, but there are much fewer themes than the current number of Operating Plan controls). The dollar threshold for Operating Plan changes doesn't have any impact on the BF design.
Dan Tenney, LaRC	<u>Memorandum #4 (Operating plan constraint)</u> We submitted this particular document to the Agency. However, we would like to note a couple of minor clarifications/changes. The source/reference of this issue is really an Agency issue that will be problematic at the Theme-level, Program-level, and Project-level. The complexity of the issue relates to the need for the Agency to have flexibility to realign funding as necessary across budget elements to supplement Themes/Programs/Projects to achieve programmatic milestones. The current constraint of \$500K is very problematic in the current budget structure. Considering the implementation of full cost, we would suggest Code seeks approval to eliminate or enlarge the threshold to enable flexible, efficient operations in the full cost structure.
Rich Beck, Code B	The rationale for this issue would be moot if we have flexibility to integrate personnel funds with project funds in the same line (because then moving people is not an operating plan issue) So that is the real issue which we can't get into with Congress if we don't think IFM can do the full cost fund distribution...let's not throw away chance of brass ring for a measly \$500K reprogramming issue which we will likely lose...I urge us to put the merging funds issue out first...if that's an option

Full Cost Decision Memorandum # 5**Issue:**

Institutional Construction of Facilities (CoF) was moved to Center G&A at the end of the FY 2004 Budget formulation process. Prior to FY 2004 CoF was treated as a direct funded capital investment program but was not fully loaded.

Source / reference:

Report from the CoF/Environmental Working Group, "Issue/Option Paper, Institutional Construction of Facilities (CoF) under Full Cost" pp 2-5.

Background:

The CoF Working Group recommended new processes to fund and manage CoF projects, which the Institutional Review Committee and Executive Council gave approval to implement. The main philosophy is that Institutional CoF is a capital investment that should be managed corporately, with requirements prioritized across the Agency. The FY 2004 Budget Submission included Institutional CoF in Center G&A. This causes major complications in budget execution, especially when resources are redirected from one Center to another. It affects the Center G&A rates and requires adjustment to the budget of every program at each Center. Program direct CoF and ECR are included as direct programs in the FY 2004 Budget Submission.

Urgency / impact:

This is a Core Financial configuration issue, and therefore urgency and impact are high.

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	1	2	3	4	5	
Urgency for decision						✓
Impact if not resolved						✓

Options:

Three options were considered regarding how Institutional CoF should be treated under full cost. A balanced discussion of the advantages and disadvantages is included in the Working Group's report on CoF as referenced above, and only a brief summary of the options is presented in this Decision Memorandum. Referral to the original report for completeness is advised.

- Include Institutional CoF in Center G&A: advantages include representing the cost of doing business at the Center, but countered by losing Agency-wide management and control over institutional investments, and fluctuating G&A rates;
- Include Institutional CoF in Corporate G&A: Allows corporate management of CoF without affecting Center G&A rates, but will not be directly included as part of the cost of doing business at the Center; and
- Treat Institutional CoF as a separate "direct" capital investment program: allows corporate management of CoF, but investments will not be reflected in the full cost of programs and projects, and will not be directly included as part of the cost of doing business at the Center.

Recommendation:

As per the CoF/Environmental Working Group, it is recommended that:

- Institutional CoF is treated as a direct capital investment program and a new budget theme called "Capital Investment" should be created under the Space Flight Capabilities appropriation;

- Under this Theme, Institutional CoF and ECR will be two separate programs and will be fully loaded; and
- Update Appendix 3 of the Yellow Book (list of programs and projects) to include Institutional CoF and ECR programs as "Direct" programs within the budget theme "Capital Investments" under Space Flight Capabilities. The Yellow Book should state that both CoF and ECR are subject to full cost loading.

Decision made

Accept recommendation

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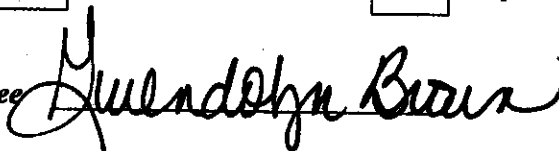
Reject recommendation

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Require further study

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Signed for the FC Committee



JUN 19 2003

Note: This issues was addressed by the Executive Committee and CoF will be held in Center G&A. The Full Cost Committee took no further action.

Feedback

From	Comments
Tom Leudtke, Code H	I think charging it to Center G&A is the appropriate methodology if we are going to try and match costs to projects/programs. However, although its not my preferred approach, I can live with the recommendation if the group believes it will be managed centrally and not just become a way for Centers to offload costs of doing business. I would also caution that the more of these special arrangements we establish, the less we have "full cost".
Jim Bevis, Stennis	I agree with the recommendation of the CoF Working Group.
Julie Baker, IFMP	Owen - CoF planning is in Feb. 04 release of BF. I would agree with the recommendations of the working group to include it as a separate project. I also agree with Gene's clarification that under that arrangement, it will not lose its visibility, especially since it is planned as a direct project.
John Beall, JSC	Owen we support this decision...
Gene Hubbard, Code J	We (Jay Rosenthal and I) have a couple of comments on the Decision Memorandum and are forwarding an edited version that incorporates these comments. First is to emphasis that putting CoF into Center G&A is <u>new</u> for FY 2004 and <u>not</u> the way we <u>currently</u> fund it. Second, although including institutional CoF in Corporate G&A or treating it as a "direct" capital investment will not reflect the total cost of doing business at a Center in the amount "loaded" to each direct program, traceability won't be lost. We will still be able to trace the CoF cost associated with doing business at each Center.
Ray Sparnon, Code U	Non-issue; Executive Committee previously decided to place CoF in Center G&A

Full Cost Decision Memorandum #6**Issue:**

The extent to which Center G&A and service pools are charged to Corporate G&A functions needs to be revised.

Source / reference:

Corporate G&A and Service Pool/Center G&A Full Cost Working Groups assembled this issue with an alternate recommendation provided by Rich Beck.

Background:

Charging Corporate G&A functions conducted at a Center for support services provided by a Center service pool and for Center G&A is considered appropriate under full cost practice as the Corporate G&A function is another customer of the Center's services. There is some simplification and streamlining of the process that is possible by eliminating this type of cross-pool charging where Center overhead is applied to Corporate overhead.

Resolving the issue could depend upon the level at which this policy is implemented, so that funds are not invested more in calculating the overhead costs at centers on the overhead costs of the Agency at the task level where returns are greatly diminished and complexity is greatly increased regarding managing in this manner. The policy could be modified so that sizeable capabilities that are conducted at a Center for HQ Corporate which are routinely planned and sizeable, e.g. conduct of Agency-wide payroll at MSFC or managing the IV&V facility by GSFC, are charged for both service pool use and Center G&A, while other activities that are implemented on a less routine task-by-task basis are not.

As a point of reference as to how large this condition may be, while there will likely be increased charging of center overhead on Corporate G&A activities in the future, during development of the FY 2004 budget only \$7M of Center G&A and \$4M of service pools costs were charged to Corporate G&A activities performed at four centers. For clarification, this discussion applies only to charges on Corporate G&A functions that a Center performs for HQ, and does not refer to charging overhead on application of policy directives issued from Headquarters offices as "Corporate G&A."

Urgency / impact:

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	1	2	3	4	5	1	2	3	4	5
Urgency for decision									✓	
Impact if not resolved									✓	

Options:

The options are threefold:

- **Option 1:** Leave the present policy in place to allow charging of service pools and Center G&A to Corporate G&A functions where the charges are "material" and "material" is left to the discretion of the Center Director or their nominee (Note that the Full Cost Working Group recommends this option);
- **Option 2:** Simplify the process so that only service pool costs of the Corporate G&A function at the center are included in the cost of the activity but no Center G&A is charged; or
- **Option 3:** Revise the policy so that only Corporate G&A functions that are routinely planned during the budget process and are sizable (>\$10M per year) be subject to Center G&A charges, while only directly consumed service pool capabilities are included as part of the upfront budget estimate for

conduct of a Corporate G&A activity at the Center. This option allows the Centers to recover costs of Center G&A on a Corporate level activity only when the effort is routinely planned and sizable, with a clear definition of "sizeable." This should help the Center still recover Center G&A expenses when the effort is large enough to have an effect on the Center's institutional requirements without allowing for numerous perturbations to Center G&A which could come with single ad-hoc or smaller individual tasks with less of sizeable and long term impact on the Center's institutional needs and related resources requirements.

Recommendation:

It is recommended to revise the Yellow Book to reflect Option 3 as above.

Decision made

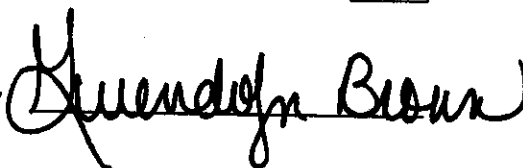
Accept recommendation

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Reject recommendation

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Require further study

☐***Signed for the FC Committee***

JUN 19 2003

Note: The Full Cost Committee voted instead for Option 1.

Feedback

<i>From</i>	<i>Comments</i>
Julie Baker, BF Project	<p>This proposal to exclude Corporate G&A activities from Center G&A has a significant impact on the Budget Formulation system design. Currently, the system is designed to allocate Center G&A to all activities for which FTE are planned. After the allocation has been run, the system allows the G&A Authorizer to manually adjust the G&A amount allocated to any budget element (in the case of Corporate G&A, the element is cost center), however the dollar adjustment must be applied to another WBS element, to arrive at a zero sum adjustment. The BF system cannot exclude certain elements for which budget estimates have been prepared and workforce has been planned from the assessment calculation. Furthermore, under Option 3, Center based Corporate G&A activities would only pay for "directly consumed" service pool activities. In the full cost terminology, these types of activities usually relate to the fabrication, test services and science and engineering pools. This means that the "non consumption" pools (facilities and information technology) would not be charged to these Corporate G&A activities. If this option is selected, I believe the wording needs to be clarified to specifically list what service pool activities are to be included or excluded from the budget estimates. Also, if some budget threshold is set for determining whether a Center based Corporate G&A activity is to be assessed Center G&A, the content of that threshold (e.g. salary/travel/procurement/service pool) needs to be explicitly defined.</p> <p>The full cost allocation process in previous budget cycles has been very manually intensive, due to the lack of a tool to perform numerical calculations quickly (like spreading service pool or G&A costs to a large number of UPNS). The impact of either Option 2 or 3 will require manual workarounds to identify all the Corporate G&A activities that should be exempt, removing the Center G&A assessment from those WBS elements and redistributing those dollars to other activities. This ignores one of the key strengths of the budget formulation system and is contradictory to the intent of IFMP.</p>
Rick Keegan, Code Y	<p>Code Y and GSFC continue to prefer option 1. One of the basic principles of full cost is "no free resources"—All activities at a center, including reimbursable and corporate activities, have to pay the full freight. To prevent having "dollars chasing pennies", option 1 provides for a materiality threshold, which might be set at \$500K or \$1M cumulative service pool and G&A costs across all corporate activities at a center.</p> <p>The awkwardness of charging "overhead on overhead" is the result of HQ deciding to spin off corporate activities to the centers. For example, GSFC has more than 70 FTE performing functions for Code C. These folks consume considerable center service pool and G&A resources, but don't meet the size standard for charging set out in option 3.</p> <p>Actually, options 1 and 3 are the same concept, approached from opposite directions. Option 1 says service costs and G&A will be charged unless they are so small as to be immaterial. Option 3 says service costs and G&A will not be charged unless the corporate activity is "sizable." I believe the approach option 1 takes is more aligned with full cost philosophy, but the real solution lies in agreeing on what's the threshold level for "materiality". I think this should be defined in terms of the center's institutional costs potentially forfeited, rather than the size of the corporate activity.</p>

<i>From</i>	<i>Comments</i>
Jim Bevis, Stennis	I prefer option 1 -- Corp G&A activities at SSC are no different than any other program. It seems simpler to treat all activities the same than to isolate "special" cases. It also understates Corp G&A in my view if we waive these costs. The same argument could be made by programs/projects that fall below this dollar threshold!
Tom Leudtke, Code H	I'm ok with Option 3.
Ray Sparnon, Code U	Recommend option #1 as presented; do not concur on option #3 as recommended. Option #3 precludes centers from recovering any "allocation" based service pool charges. Option #1 allows centers to recover "material" charges, whether Center G&A or "demand" or "allocated" service pools. If additional clarity required, use the definition of "sizable" (>\$10M per year) to option 1's "material" definition.
Dan Tenney, LaRC	<p>We understand the complications associated with budget formulation when Center G&A is charged to Corporate G&A since both are charged to programs/projects. We also agree that all Corporate G&A functions should pay service charges for usage of Center services. Centers performing Corporate G&A activities view those activities as projects that consume Center services. In that regard, all projects/activities should be charged full cost. From that perspective, it is easier to charge all activities full cost rather than exclude certain functions. Also, we believe Agency benefit exists to viewing the full cost of all Agency activities, including Corporate G&A functions.</p> <p>However, due to the budget formulation complexities, we support establishing a threshold for charging Center G&A to Corporate G&A. The memorandum suggests a \$10M threshold. Perhaps, an alternative is to base the threshold on the percentage of the total institution at each Center. The percentage threshold ensures the significance of the Corporate functions being performed at the Center is balanced with the ability of the Center to recover its' G&A. In that regard, applying a threshold of 0.5% of the total institutional funding would ensure the corporate activities are charged considering the relative size of the institution budget at the Center. For LaRC, the 0.5% threshold would require approx. 2M of cumulative Corporate G&A to be performed at the Center prior to charging any Center G&A to Corporate G&A functions. Once the threshold is achieved all Corporate functions at that Center would be assessed Center G&A</p>

Full Cost Decision Memorandum # 7**Issue:**

The framework for decision-making and performance management under full cost has not been clearly defined. In addition, reporting requirements in a Full Cost environment need to be developed and presented to the IFM Program to configure standard management information reports under full cost.

Source / reference:

Report from the Budget Execution Working Group, "Full Cost Accounting and Information/Reporting."

Background:

The Budget Execution Working Group has identified a number of roles to manage under full cost and has defined a minimum capability for reporting in certain cost types in different cost areas. Their recommendations include a significant level of detail, though this may be summarized in the table below:

Role	Minimum reporting requirement	
<ul style="list-style-type: none"> • Program and Project Manager • Service Pool Manager / Provider • G&A Pool Functional Managers • Corporate G&A Functional Managers • Center Management • Enterprise Management • Agency Senior Management • Code B—Budget/Program Analysis and Financial Mgmt. • Agency Cost Estimators • HQ Functional Offices • External stakeholders 	At a minimum, the following is being recommended:	
	<u>Cost areas:</u> Direct Program / Project Service Pools Center G&A Corporate G&A	<u>Cost objects:</u> Procurements Civil service salaries and benefits Travel Civil Service FTEs Contractor WYEs

Since the publication of the Yellow Book in 1999 we have undertaken a significant investment replacing our budgeting and accounting systems with Agency-wide solutions. This investment includes a powerful data and information reporting capability. To date, standard management, budgeting, or accounting reports under full cost have not been defined. The reporting requirement should be the underpinning for any decision-making and performance management framework, including the behaviors we wish to encourage and reward. The Yellow Book does not specify reporting requirements directly.

Urgency / impact:

Our ability to manage under full cost will be severely impeded if this decision is not resolved. In addition, this issue needs to be resolved as a prerequisite to revising and publishing the Yellow Book and to meet a significant interdependency to the IFM Program and the configuration of business systems. Therefore urgency and impact are considered high.

	<div style="display: flex; justify-content: space-between; padding: 0 10px;"> <i>L</i> <i>H</i> </div> <div style="display: flex; justify-content: space-between; padding: 0 10px;"> 1 2 3 4 5 </div>				
Urgency for decision				✓	
Impact if not resolved					✓

Options:

To execute a Theme-based budget in full cost it is imperative that reporting requirements are clearly defined by relevant stakeholders and that the IFM Program are given sufficient time and guidance to implement these requirements. We have the basis for the minimum requirements as detailed above.

Recommendation:

It is recommended that:

- A Full Cost Management Information Reporting Team is established to understand the categories of users of full cost information and to define reporting requirements;
- The Full Cost Management Information Reporting Team prepares policy guidance for inclusion in the Yellow Book and provides the IFM Program with requirements for configuration of standard and *ad hoc* reporting requirements; and
- The Full Cost Committee commences the development of a framework for decision-making and performance management under full cost, and that this framework is consistent with the revision and publication of the "Red Book."

Decision made

Accept recommendation

☐

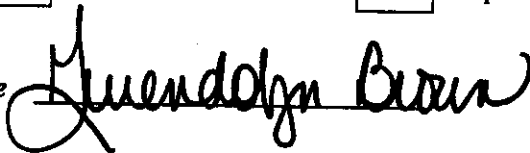
Reject recommendation

☒

Require further study

☐

Signed for the FC Committee



JUN 19 2003

Note: The Full Cost Committee agreed to the first two recommendations, but rejected the third. In addition, it was recommended that:

- The Full Cost Committee determines the status of the Red Book revision from Michael Greenfield;
- The members of the Full Cost Committee will review the relevant section of the Yellow Book pertaining to roles and responsibilities and Rich Beck's summary charts, and, upon agreement of the members of the Committee, forward these documents to Michael Greenfield for comment; and
- The Director for Full Cost will understand existing resources and timelines in the IFM Program for defining "release 2" reporting requirements, and assimilate any Full Cost Requirements (PoCs Nadine Tremper and Connie Basnett.)

Feedback

From	Comments
Julie Baker, BF Project	<p>The Budget Formulation system incorporates a robust business warehouse, which is the foundation for all system reporting. When planners save their work, the information they have entered into the Strategic Enterprise Management (SEM) software is saved to planning cubes in the BW. As part of our system design efforts, standard reports are being designed which will utilize all information contained in the BW. The structure, format and content of these reports are being worked intensively with the Budget Formulation Subject Matter Experts and have been demonstrated at the Conference Room Pilot demonstrations. The Budget Formulation BW has a strong drilldown capability, which allows the user to define the content of their reports more precisely. In addition, a query capability is available for trained super-users, allowing for more flexibility in designing custom reports. The report design effort is currently focused on the functionality being released in October 2003. As part of the design efforts for the February release, reporting requirements will be folded into those design discussions.</p> <p>The data elements listed in DM #7 are accommodated in the BF BW. Reporting will be supported for any of the elements for which planning is done. If the teams that are recommended in this DM arrive at report requirements, which require new elements being added to the master data configuration, the Competency Center at MSFC will implement these changes. The BF BW will have to be updated to reflect those configuration changes as well.</p>
Tom Luedtke	I'm ok with the recommendation.
Jim Bevis, Stennis	I have some reservations about the team recommendation. I'm not sure why standardization of reporting needs to be developed by a yet another "team". The level of data available in the IFM CF and BF modules is already predetermined; it now is simply a matter of "customers" (e.g. program/project mgrs, HQs Enterprises, Functional offices, et al) determining what level and format they want to see it. I feel that this should be at their discretion and they should have the latitude to develop reporting requirements as they deem appropriate.
Rick Keegan, Code Y	In the roles and responsibilities table of this decision memo, the Institutional Program Office (IPO) is an entity that ought to be included. I know there is some discussion as the Red Book is revised of the future of the IPO concept, but for now we're still alive and kicking!
Ray Sparnon, Code U	Concur on the recommendations as presented contingent upon definition in the memoranda as to what exactly the "Yellow Book" and "Red Book" statements refer to.
Dan Tenney, LaRC	Not sure if this is a decision package. It seems like a comment to study further

Full Cost Decision Memorandum #8**Issue:**

Guidance is required for accounting for reimbursables and recovery of costs.

Source / reference:

Report from the Reimbursables Working Group.

Background:

There are three material areas of accounting for reimbursables and recovery of costs that require further guidance:

Standard G&A and fringe rates applied to reimbursables: Every year Code B develops an Agency-wide G&A rate to be applied to reimbursable agreements. In addition, Code B develops a standard fringe rate to be applied to reimbursable labor Agency-wide. This rate is calculated using total Agency fringe costs and earned leave as related to regular salary and overtime costs. The data is based on reimbursable and non-reimbursable costs for the calendar year commencing 1st July. As a result of being an Agency-wide rate, this rate does not reflect the costs actually incurred at the Center. Therefore, in a full cost environment, standard rates will not accurately recover actual costs incurred.

Contract Administration and Audit Services (CAAS) charging to reimbursable customers: CAAS represents the cost of DOD provided audit services for NASA contracts. To offset this cost to NASA, reimbursable customers with agreements of \$1 million or greater are assessed a fee. This fee is collected by the host center and forwarded to MSFC quarterly.

Depreciation charging to non-federal reimbursable customers: Non-federal customers are assessed a charge for depreciation included in reimbursables, except as otherwise provided by law. This charge is intended to pass to the customer a portion of the cost of consumption of NASA Property. The charge is based on the specific property, plant, and / or equipment used to support the reimbursable agreement. The collections are deposited to the Treasury in their miscellaneous receipts account.

Urgency / impact

This issue is addressed in part by the configuration of IFMP systems, and therefore the urgency for resolution and the impact if not resolved remain particularly high.

	L					H				
	1	2	3	4	5	1	2	3	4	5
Urgency for decision			✓							
Impact if not resolved									✓	

Options:

The options are twofold:

- **Option 1:** Continue with the Agency-wide rate to include the recovery of reimbursable related costs, including G&A, fringe benefits, CAAS, and depreciation costs associated with the consumption of NASA property; or
- **Option 2:** Establish a Center specific rate to include the recovery of reimbursable related costs, including G&A, fringe benefits, CAAS, and depreciation costs associated with the consumption of NASA property. External customers would be charged the full rate, while internal customers would be charged for G&A and fringe benefits only.

Recommendation:

The Reimbursables Working Group recommends Option 2.

Decision made

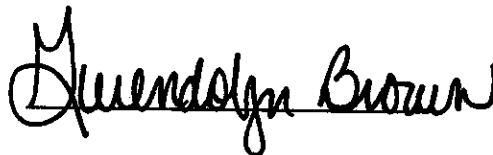
Accept recommendation

☐

Reject recommendation

☒

Require further study

☐*Signed for the FC Committee*

JUN 19 2003

Note: The Full Cost Committee provided and agreed on an alternate option:

- Option 3: Centers charge all customers fully loaded, full costs for services related to all reimbursable work and activity, subject to provisions for cost waivers and underlying federal rules and regulations

In addition, the Director for Full Cost will confer with Dave Moede regarding compliance of policy with federal rules and regulations.

Feedback

<i>From</i>	<i>Comments</i>
Jim Bevis, Stennis	Concur with Team recommendation; but this decision seems to be linked with #11.
Julie Baker, BF Project	DM#8 - no impact is anticipated. Each of the overhead rates is captured in through separate Cost Centers (from the Core Master data) and the amount of dollars attributed to application of each rate would be separately planned. The project planner must enter the dollar amounts to be realized from each of the overhead rates. These amounts will not be calculated by the system.
Tom Luedtke, Code H	I prefer the second option as long as it doesn't get too complicated to administer. If people are comfortable that it is manageable, I agree this is the better way to go.
Rich Beck, Code B	The paper does not explain why Option #2 is recommended and why "internal" customers shouldn't be charged for CAAS when NASA has to pay to cover the assessment of their activity, and why NASA does not take advantage of charging depreciation on use of its facilities to internal customers when this could be used to help stabilize facilities maintenance funding concerns by actual users.
Ray Sparnon, Code U	Non-concur on the recommended option #2 as written. Request definition in the option as to what exactly do the terms "external customers" vs. "internal customers" refer to. Suggest option 2 be modified to include <u>all</u> customers be required to pay CAAS charges; if NASA has to pay it on all contracts, including reimbursable contracts, then the customer should bear the cost of the service. This is not a high priority issue since there is a process in place in option #1; so this could wait a year if other more important near-term issues need resolution for 10/1. Also, suggest appropriate staff determine potential of depositing the referenced NASA Property depreciation charges into the NASA Working Capital Fund for agency utilization in lieu of the deposit going into the Department of the Treasury's miscellaneous receipts account.
Dan Tenney, LaRC	Agree with recommendations

Full Cost Decision Memorandum #9**Issue:**

The Reimbursable Program must participate fully in the Agency's decision to formulate budgets in full cost. However, UPNs used by the NASA Reimbursable Program very often do not match Direct UPNs assigned to the sponsoring/benefiting project. Under full cost, this practice will hinder a manager's capability to formulate a project budget that includes all funding sources, including both Direct and reimbursable sources, where appropriate.

Source / reference:

Report from the Reimbursables Working Group.

Background:

There are three material areas of accounting for reimbursables that require further guidance:

- Federal and Non-Federal customers fund NASA reimbursables and NASA appropriations fund waived costs: Code B, with concurrence from the Program Offices, established the policy effective 10/1/1996 that assigns one UPN per Budget Line Item. This policy tends to say reimbursable resource authority is released in bulk; however, there are exceptions, such as: BLI 27 for Aerospace Technology has 2 UPNs; BLI 61 for Earth Science has 3 UPNs; 32 for Space Operations has 4 UPNs; BLI 38 for Space Shuttle has 2 UPNs; and BLI 96 for Payload Utilization and Operations has 2 UPNs;
- Reimbursables are established in UPNs that do not match sponsoring projects: Reimbursables are set up in the NASA accounting system according to this policy and the UPNs authorized on a Center's 506 resources authority document allow the accumulation of the commitments, obligations, costs, and disbursements; and
- Current policy will hinder a manager's capability to formulate a project budget under full cost: Under full cost, a project budget should include all funding sources, direct and reimbursables, when a reimbursable: (1) must use a UPN that does not match the scope of the agreement and (2) the UPN falls within the responsibility of another manager and organization.

Urgency / impact:

This issue is addressed in part by the configuration of IFMP systems, and therefore the urgency for resolution and the impact if not resolved remain particularly high.

	L					H				
	1	2	3	4	5	1	2	3	4	5
Urgency for decision									✓	
Impact if not resolved									✓	

Options:

Three options have been presented by the Reimbursables Working Group:

- Option 1: Issue reimbursable resources authority at a higher level, such as Program BLI, and allow the Centers to charge back costs to UPNs that align with the Program BLI thereby allowing agreements to match sponsors;
- Option 2: Issue reimbursable resources authority to match the themes within each Program (SSC); and
- Option 3: Issue reimbursable resources authority to a generic UPN, separately to each Program, and assign that generic UPN to all reimbursables belonging to that Program. The generic UPN would be used consistently for reimbursables related to sponsoring projects within a program. (JSC)

Recommendation:

It is recommended by the Reimbursables Working Group that Option 1 be chosen to resolve this issue.

Decision made

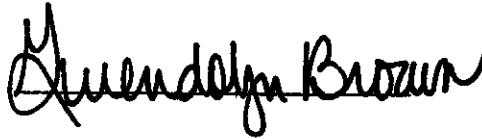
Accept recommendation

☒

Reject recommendation

☐

Require further study

☐**Signed for the FC Committee**

JUN 19 2003

Note: The Full Cost Committee added that the guiding principle behind reimbursables is that, where possible, any reimbursable revenue should be traced to the source of cost to ensure that the revenue is matched to cost.

Feedback

<i>From</i>	<i>Comments</i>
Jim Bevis, Stennis	Concur with Team recommendation.
Julie Baker, BF Project	DM#9 - No impact anticipated. The master data structure is maintained by the Competency Center (CC) at MSFC. Any issuance of new reimbursable UPNs would be accomplished by the CC and transported to the BF environment through nightly updates.
Tom Luedtke, Code H	ok with recommendation.
Rich Beck, Code B	These options need to consider the necessity, for accountability purposes, of charging funds back specifically to the purchase order that was received, and how spreading reimbursable orders over more UPN's will increase processing times and does not negate the necessity to charge back funds to a specific purchase order. (I have my local reimbursable expert reviewing the paper).
John Beall, JSC	We recommend option 3. We think reimbursables need to be simplified and believe that the use of a generic UPN would help accomplish that. We could use one UPN that would simply identify it to be reimbursable work. This UPN could be used for labor, travel, contractor support, overheads, etc. Since what we really spend is the customer's money, the UPN would simply represent the customer's money in the accounting system. This would simplify the budgeting for various types of reimbursable work and the need to make sure enough funds are available in the right UPN. It is our understanding that this is where the Working Capital Fund project is headed.
Ray Sparnon, Code U	Recommend the issue requires further study; if not deemed necessary, then do not concur in option #1 as recommended, recommend option #3 (would prefer "program" be replaced with "theme"). Without more specific information as to how the IFM budget execution system would provide for a distinction in the commitments, obligations, and costs between reimbursable and direct appropriated funds, cannot ensure fiduciary integrity can be accomplished.
Dan Tenney, LaRC	Agree with recommendations

Full Cost Decision Memorandum #10**Issue:**

Charging costs to external customers and the policy on costs waivers requires further clarification and guidance.

Source / reference:

The Report from the Reimbursables Working Group

Background:

The Full Cost Initiative changes the pricing structure at the Centers to include direct charges, service pools, and G&A. Financial Management Manual (FMM) 9090 discusses the policy for accepting agreements and charging costs to non-NASA customers. In that regard, current practices suggest that the full cost of services should be charged to all non-NASA customers. However, it also recognized for a variety of reasons that some agreements lend themselves to cost waivers based on the cooperative nature of those agreements. FMM 9090 does allow for waivers of costs to non-NASA customers under various authorities. However, for such waivers, a full cost estimate must be prepared and documented in an Estimated Price Report (EPR) and that the Center Deputy Chief Financial Officer (DCFO) approve these waivers.

Urgency / impact:

This Decision Memorandum requires a clarification to current policy that has no immediate or direct bearing on the configuration of IFMP systems, and therefore carries a low level of urgency for resolution or impact on the Full Cost Initiative.

	L					H				
	1	2	3	4	5	1	2	3	4	5
Urgency for decision		✓								
Impact if not resolved		✓								

Options:

The options are twofold:

- **Option 1:** Continue to allow for cost waivers with respect to full cost agreements as discussed in FMM 9090 and all cost waivers must be approved by the Center DCFO; or
- **Option 2:** Mandate that the full cost be charged to non-NASA customers with no costs waivers.

Recommendation:

The recommendations are twofold, and both are in compliance with the Yellow Book:

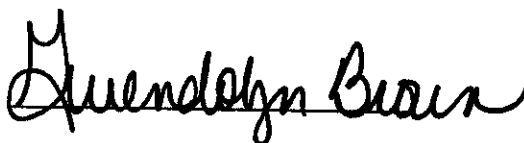
- **For external pricing, recommend Option 1:** Develop full cost estimates for all agreements with external partners and continue to allow for cost waivers to full cost agreements as discussed in FMM 9090. Any costs waived to an external partner must be justified based on the collaborative nature of the agreement and/or the benefit to NASA and documented as such in the EPR. In addition, since the full cost of all activities must be paid for at the Center level, any costs waived to an external partner must be funded by the sponsoring program/project or Center G&A depending on the type of cooperative activity; and
- **In addition, for internal pricing:** transactions between NASA organizations are to be accounted for on a full cost basis; i.e., the cost to the recipient organization will be the full cost incurred by

the providing organization (thereby avoiding the issue of potential differences between costs and charges, resulting in an under-recovery of costs by the performing Center.)

Decision made

Accept recommendation ☐ Reject recommendation ☒ Require further study ☐

Signed for the FC Committee



JUN 19 2003

Note: The Full Cost Committee rejected the recommendation as it stands. An alternative recommendation is provided:

- Cost waivers must be approved by the Center Director, or his or her designee, with the cost charged to the benefiting / sponsor program or project, before Center G&A if possible; and
- The cost waiver notification process as required by Code B is maintained.

Feedback

<i>From</i>	<i>Comments</i>
Jim Bevis, Stennis	Concur with Team recommendation
Julie Baker, BF Project	no impact anticipated.
Tom Luedtke, Code H	A couple of questions on this one. First, are these all Center decisions? If the Administrator, as part of a negotiation, or the Enterprise AA (for appropriate reasons) decides that we should waive costs in the interests of the greater good, should Centers have to eat those costs? (If the Center wants to, I agree they should then bear the costs). Second, with the various cross charges between Centers/programs and service pools/overheads, could a Center decide to waive costs in order to attract new work and then shove some of those costs onto other Centers? (If its not material, I don't care).
Rena Perwein, Working Group Lead	I wanted to add a point of clarification to Memo #10, The Team's recommendation for Option 2 was that there would be two separate G&A rates developed. One for the specific center based on center data and a Corporate G&A rate that would include the CAAS and depreciation (if applicable). These would both be used for the pricing. You may also want to clarify that internal vs. external refers to federal vs. non-federal customers.
John Beall, JSC	We like option 2
Ray Spannon, Code U	Request consistent language/terminology and their definitions be used in related full cost decision memoranda. The use of the undefined "external vs. internal customers" terminology in the related memoranda #8 does not appear to be used similarly in #10. Concur in recommendation #1. Do not concur in the language used in recommendation #2 as it appears to advocate for reimbursable work between NASA organizations. Text should clarify reimbursables do not occur between NASA organizations.
Dan Tenney, LaRC	Agree with recommendation

Full Cost Decision Memorandum #11**Issue:**

The policies and guidelines for reimbursables in the Yellow Book and the Financial Management Manual (FMM) 9090 need to be consistent and that these policies and guidelines are executable in relevant IFMP systems.

Source / reference:

Report from the Reimbursables Working Group.

Background:

The treatment of indirect cost elements for reimbursables as detailed in the Financial Management Manual (FMM) 9090 is not consistent with the Yellow Book. In addition, the current configuration of the Core Financials and Budget Formulation modules is designed to support FMM 9090.

Urgency / impact:

In part, this issue requires the configuration of IFMP systems, and therefore the urgency for resolution and the impact if not resolved remain particularly high.

	<i>L</i>				<i>H</i>
	1	2	3	4	5
<i>Urgency for decision</i>				✓	
<i>Impact if not resolved</i>				✓	

Options:

The options to resolve this issue are twofold:

- **Option 1:** Account for reimbursables outside policy and guidelines held in the Yellow Book and retain the current reimbursable policy and operations as defined in FMM 9090; or
- **Option 2:** Formulate and execute reimbursable agreements under the Yellow Book and revise FMM 9090 to align with the requirements of the Yellow Book. Requirements for the configuration of IFMP systems will be provided to the Core Financials and Budget Formulation projects

Recommendation:

The Reimbursables Working Group recommends Option 2.

Decision made

Accept recommendation

☒

Reject recommendation

☐

Require further study

☐

Signed for the FC Committee

Quendy Brown

JUN 19 2003

Feedback

From	Comments
Jim Bevis, Stennis	Concur with Team recommendation to go with Option 2. However, this will probably impact the recommendation on Memo #8. If reimbursable customers are charged rates more consistent with NASA programs as specified in the yellow book, EPR-specified charging for CAAS could conceivably get incorporated into a Corp G&A rate and depreciation included in a Facilities & Related Services pool rate rather than remaining as "stand alone" charges.
Julie Baker, BF Project	DM#11 - It is difficult to assess the impact of this recommendation. Planning for reimbursables in BF mirrors planning for direct projects, and the planner includes the charges applied to reimbursable activities separately. If this policy is changed, more study would be required to assess the system impact.
Tom Luedtke, Code H	fine by me
John Beall, JSC	We are ok with the recommendation, but we think that the FMM will need to be revised for more things that just reimbursables to match NASA's full cost implementation approach.
Ray Sparnon, Code U	Concur on option #2 as recommended.
Dan Tenney, LaRC	Agree with recommendation

Full Cost Decision Memorandum #12**Issue:**

The protocol for service pool costs charged to other service pools and to center G&A, that is, "flow down" require clarifying.

Source / reference:

Report from the Service Pool & Center G&A Working Group, Issue / Option paper 1-b-vi, page 43, "Should the Agency have a standard policy for [service pool] flow down and cross-charging?"

Background:

The current Agency policy, agreed to in the Spring of 1998, is that facilities pool costs flow down first, based on consumption, to other service pools and G&A activities (and to projects, of course). Then the IT costs (including the flowed-down facilities costs) flow down, based on consumption, to the remaining service pools (not including facilities), and G&A activities (and projects). No other charging from service pool or G&A to service pool is permitted, as the benefits of better Full Cost fidelity are not considered to be worth the cost of the added complexity of operations.

In the Yellow Book, Figures 11 and 12 on pages 38 and 39 illustrate facilities costs flowing down to other services pools. IT costs are not shown flowing down to the fabrication pool, which is the only other service pool included in the illustration. The text does not fully discuss the policy, but does state that in developing service activity cost estimates, "Products or services provided to other service activities and/or to G&A functional activities should be taken into consideration..."

As of our last Agency-wide Full Cost meeting, some Centers were not flowing down facilities and IT pool costs, arguing that the impact on the full cost of any given project was not material. At least one Center was cross charging from the Fabrication pool arguing that the costs were material to the full cost of projects.

Urgency / impact:

This issue is addressed in part by the configuration of IFMP systems, and therefore the urgency for resolution and the impact if not resolved remain particularly high.

	L					H
	1	2	3	4	5	
Urgency for decision				✓		
Impact if not resolved				✓		

Options:

Any option beyond that being recommended would be a material departure from current policy and operations. In addition, IFM is currently configured to accommodate the Agency flow down policy described above. The benefits to the Agency of a standard policy in this area are significant.

Recommendation:

As per the Full Cost Policy and Operations Team, it is recommended that:

- Facilities pool costs flow down first, based on consumption, to service pools and G&A, (and to projects, of course);

- IT costs (including the flowed-down facilities costs) flow down second, based on consumption, to the remaining service pools (not facilities), and G&A (and projects); and
- No other charging from service pool or G&A to service pool is permitted.

Decision made

Accept recommendation



Reject recommendation



Require further study



Signed for the FC Committee

Quendy Brown

JUN 19 2003

Feedback

<i>From</i>	<i>Comments</i>
Tom Luedtke, Code H	I'm ok with this recommendation
Jim Bevis, Stennis	I have no argument with the methodology of the flow down proposed by team, but with the overall concept of cross-pool charging. I understand the desire to implement cross-charging but I don't believe that such a policy will materially impact the service pool/G&A allocations to projects at SSC sufficiently to merit the added complexity. Although this may be worthwhile at larger centers, it may not always be the case at some smaller centers. I feel that centers should be granted the discretion to do this based on whether or not it would make a materially significant difference in the ultimate cost allocations to programs/projects at that particular center. However, for those centers that deem this to be appropriate, they should be required to comply with the flow down protocol as specified here.
Julie Baker, BF Project	The BF system is designed to support the "flowdown" allocation process. Some of the resistance from Centers in the past to this process may have stemmed from the lack of an automated way of calculating the distribution of service pool costs. This resulted in a complicated and manually intensive requirement. The SEM software will accomplish this distribution automatically, eliminating this as a burden to the user. For consistency in analysis, it is important that all Centers use the same approach.
John Beall	We do not support flow down, we believe it makes things much more complicated, without sufficient benefit to justify the complexity, including trace ability of funding flows and impact on assessment cycle processing. (We also believe we'll lose on this one....)
Ray Sparnon	Concur in recommendations as presented.
Dan Tenney, LaRC	Agree with recommendations. We support the general notion of reducing system and planning complexity by not allowing cross-pool charging service pools except IT and F&RS. In addition, to achieve standardization, all Centers should be required to cross-charge IT and F&RS pool charges. If the Agency standard is not followed by all Centers cross-center comparisons and standardized reporting will be very difficult.

Full Cost Decision Memorandum #13**Issue:**

A number of relatively minor issues have been identified during the course of the work of the Service Pools and Center G&A Working Group. The purpose of this decision memorandum is to collect and summarize these issues for presentation to the Full Cost Committee.

Source / reference:

Report from the Service Pools and Center G&A Working Group

Background:

Not applicable

Urgency / impact:

Collectively, these issues are the nits and nats of the work of the Working Group and they are of relatively minor importance and consequence for immediate resolution.

	L					H
	1	2	3	4	5	
Urgency for decision		✓				
Impact if not resolved		✓				

Options:

Not applicable

Recommendation:

The recommendations are summarized in the table below:

Issue / Question	Recommendation	✓ / ✗
How should the agency account for HQ directed mandates such as IFM and Security under full cost?	Recommend current IFM Implementation and Security functions be included in Center G&A, but leave door open for future mandates that may be better placed elsewhere (i.e., program direct and Corporate G&A) and that this is documented in the Yellow Book. <i>Note:</i> New initiatives are to be funded in Corporate G&A to get them started. Once operational, then these activities will be moved to Center G&A as appropriate. Any future functional initiatives need to be approved by Cod3e ADI. If operations are centralized, then these activities will be moved to the appropriate operational unit.	✓
What is the correct method for allocating Wind Tunnels requirements? LaRC and Ames believe that wind tunnel operating shifts is a more representative allocation basis for wind tunnel service costs than direct labor hours (as currently detailed in the Yellow Book). GRC has agreed to support "One NASA." Yellow Book currently specifies direct labor hours as allocation basis. Current FY05 POP guidance permits use of operating shifts to allocate wind tunnel services.	Modify Yellow Book to reflect agreement to allow allocation of wind tunnel costs based on operating shifts. <i>Note:</i> In addition, the basis of a "shift" needs to be defined for budget formulation purposes.	✓

Issue / Question	Recommendation	✓ / ✗
Direct charging of costs when feasible vs. running all cost for a function through the applicable standard service pool. This difference in treatment accounts for a significant portion of the apparent difference in the size of a given service pool among Centers. For those Centers that justifiably apply service pool-like costs directly to their programs, service pools would increase the workload on Centers that have straightforward ways of charging direct costs.	Centers can direct charge costs where feasible and if the Center CFO can demonstrate that cost exceeds the benefit of operating the service pool. However, at a minimum and for reporting purposes, the Centers must be able to capture all of the costs for Functional Management in some format. <i>Note:</i> Service pools only exist where direct costs cannot be determined.	✓
Should Service Pool monopolies be allowed? As per the Yellow Book, "Center customers may be required to use services for a transition period (2-3 years), after which rates should become sufficiently competitive to justify the continued existence of the service activity." In addition, the authority placed in project managers has for outsourcing required services has not been defined.	Modify Yellow Book that resolution of these issues is at the discretion of the Center Director. <i>Note:</i> A transition period is highly likely, and monopolies will likely to remain while the process is stabilized.	✓
Who benefits from rate changes or efficiencies during the operating year in G&A and service pools (actual vs. planned rates)? The Yellow Book is not clear, though it implies that significant savings or overruns will be distributed. <i>Note:</i> Rates will be applied consistent and equally with not discrimination.	Modify Yellow Book that rate gains or losses are distributed or absorbed at the discretion of the Center Director. <i>Note:</i> Distributions will be made in line with current policy.	✓
Who approves capital investments and facility repairs? The process described in the Yellow Book is not current. <i>Note:</i> This is not a FC issue	Amend Yellow Book to reflect current process as per the Office of the Associate Deputy Administrator Institutions & Asset Management <i>Note:</i> The current process needs confirming, though this is the responsibility of Code ADI	✗
Calculating cost of new initiatives using consumption data.	Any new initiatives should be presented in full cost. Estimated service pool cost should be included (as are all elements of cost) in any parametric cost estimate or estimate by analogy. Consumption data may thus be imputed or directly estimated depending on overall costs estimation method. <i>Note:</i> Now DM #19	✗

Decision made

Accept recommendation



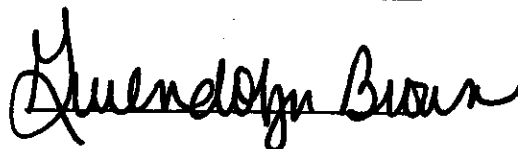
Reject recommendation



Require further study



Signed for the FC Committee



JUN 19 2003

Feedback

<i>From</i>	<i>Comments</i>
Tom Luedtke, Code H	ok, except I don't think the burden should be on the CFO to establish that direct costing exceeds the benefits of service pools----direct costing should be the preferred approach.
Julie Baker, BF Project	<p>Relative to item #3 in this memo, regarding the ability to capture all costs in the Service pool planning. The BF design supports this requirement. In our design, the Service pool planner can identify all costs that are to be supported by the service pool, whether they are paid directly by a WBS or to be paid through the service pool rate. Two rates are calculated by the BF system, one rate that reflects all costs charged directly to customers as well as those captured through the pool. In other words, this rate will reflect the total business base of the pool. This rate is for informational and reporting purposes. The second rate reflects just the costs that the service pool must charge its customers to recoup its costs. This rate will be used for assessments.</p> <p>Relative to item #5, if a Service Pool does have adequate funding to support operations, it will be unable to continue operations. Under Core Finance design, actual transactions (obligations/costs) are posted to the Service Pools, so they must have adequate budget to cover their requirements. Each Service Pool will need to monitor its financial status to ensure that adequate funds are provided from each customer to cover its costs. The ability of the Center Director to allow a Service Pool to operate at a loss would have to be further explored.</p>
Jim Bevis, Stennis	<p>Concur on all points, but have a couple comments.</p> <p>Issue re: service pool over/underruns -- I think projects should be provided rebates or assessed higher rates as the need arises. I think this should be an agency policy and applied consistently across the centers. But the details as to when/how this should occur should be at the discretion of the Center Director "or his designee" i.e. the pool manager(s)</p> <p>New initiatives: This issue overlaps the content of memo #20. The agency should work always submit these in full cost. But whenever possible, centers should be allowed the oppty to recast their entire budget runouts to include the new initiatives so that they can rebalance institutional support costs across their entire projected program base. As you are aware, much of these costs are fixed/semi-fixed in nature and should therefore be redistributed whenever program content adjustments are made.</p>
Rich Beck, Code B	The third and fifth recommendations should state..."where the appropriate level of consumption is charged back to the individual project that is supported". We would want to be careful to be consistent on this point across papers.
Bob Fails, GRC	The wording in this recommendation needs some clarification. It is true that GRC does not have a Wind Tunnel service pool. We believe that all test services belong in the Test Service pool. We have agreed to consider the establishment of a Wind Tunnel pool, but it would not be effective until FY06 (the current budget will be formulated using our current approach). What's most disturbing about the recommendation is the statement that "shifts is a more representative allocation basis than direct labor hours". This is the Team's opinion. However, I have seen no analysis of cost drivers that support this conclusion. We will perform such an analysis. We will also work with Ames and Langley to better understand their pool structure and content, including the treatment of direct and indirect costs.
Bob Fails, GRC	<i>Further comment:</i> I prefer having a choice, but would support my choice with an analysis of the cost drivers. I did not mean to suggest that the Full Cost team should perform the analysis. The "original" full cost team selected labor hours as the basis of allocation for a number of reasons. First, it is the almost universal standard in industry and second, labor hours are available in the system for consumption-based allocations. Hope this adds clarity.

<i>From</i>	<i>Comments</i>
John Beall, JSC	<p>Question on the second to last item in the list -- "Who approves capital investments and facility repairs?" We don't believe Jim Jennings' office approves the specific capital investments and facility repairs -- he approve/recommends the budget levels for the various areas, but it should be the Center Director's discretion to determine the specific items funded within the budgets.</p>
Ray Sparnon, Code U	<p>OBPR remains concerned about the lack of specific information available to explain exactly what the Service Pool budget amount covers by center. If the direct charging of service pool content is approved, OBPR wants an explanation as to content/budget of the reported project direct related service pool budget (currently undefined content/budget amount for which no center has provided any explanation as to what the numbers represent). Allowing the centers to vary the service pool content/budget is not an incidental change - it is a significant difference between how centers organize and manage the "project direct" work and the Enterprises need to understand what is in the "direct procurement" budget vs. the "service pool" budget.</p> <p>Do not concur in requiring customers to use services for a transition period - if a customer does not need a service, it should not be required to continue to pay for 2-3 years for a service it does not need/use.</p> <p>Do not concur in distributing Center G&A and service pool losses to programs/projects at discretion of Center Director. Gains should be used to offset next year requirements and losses should be covered by the collective users, not indiscriminately assigned to only some by the Center Director (if a service pool is short, the service pool users should pay proportionate to their use).</p> <p>Calculation of full cost estimates for new initiatives needs to be deferred. Currently, direct CS workforce not included in agency level deliberations process at time of approval of initiative. Also, no direction on estimating impact on Center G&A and if most of the service pool content is already in the procurement budget, how much of an estimate could actually be derived have any merit. Recommend deferral until experience/tools improve.</p>
Bob Fails, GRC	<p>The wording in this recommendation needs some clarification. It is true that GRC does not have a Wind Tunnel service pool. We believe that all test services belong in the Test Service pool. We have agreed to consider the establishment of a Wind Tunnel pool, but it would not be effective until FY06 (the current budget will be formulated using our current approach). What's most disturbing about the recommendation is the statement that "shifts is a more representative allocation basis than direct labor hours". This is the Team's opinion. However, I have seen no analysis of cost drivers that support this conclusion. We will perform such an analysis. We will also work with Ames and Langley to better understand their pool structure and content, including the treatment of direct and indirect costs.</p>

<i>From</i>	<i>Comments</i>
Dan Tenney, LaRC	<ul style="list-style-type: none"> ▪ Agree with IFM and Security mandates in Center G&A, perhaps Corporate in the future ▪ Agree with wind tunnel charging based on shifts ▪ Agree with direct charging capabilities when possible. However, the Agency needs to consider what activities should fit the criteria for direct charging versus pooling. If no Agency standard is developed Centers will adopt different approaches. Some Centers will pool funds while others direct charge. These differences will lead to no standardization in the full cost assignment of costs to programs/projects. In addition, cross-center comparisons will be very difficult. ▪ Agree with service pool costs being the discretion of the Center Director ▪ Agree with rate changes being the discretion of the Center Director ▪ Approval of capital investments and facility repairs – agree that the Associate Deputy Administrator for Institutions & Asset Management should approve capital investments such as CoF. However, facility repairs should be at the discretion of the Center Director. Facility repairs are recurring expenses that occur throughout the operating year. These repairs are part of the yearly maintenance program approved as part of the Facility and Related Service Budget. ▪ We also support the Associate Deputy Administrator for Institutions & Asset Management providing targets and guidance relative to facility expenses. However, the Center must balance programmatic funding and institutional expenses to develop an integrated strategy to meet mission objectives. To efficiently implement these mission objectives, the Agency should provide guidance and targets. However, institutional mandates should be given with associated funding to support the requirement to ensure mission objectives are not comprised. ▪ Agree that all new initiatives should be presented in full cost

Full Cost Decision Memorandum #14**Issue:**

The content and definition of Corporate G&A has not been clearly defined and applied consistently across the Agency.

Source / reference:

Report from Corporate G&A Working Group.

Background:

Corporate G&A encompasses agency level functions that are G&A in nature, which are required to provide benefit to the entire agency. Included in G&A are cost associated with the management, operation and support of the HQ installation and staff office personnel, functions and services performed by HQ or as directed, at NASA Centers. In addition, there are a number of agency-wide G&A functions assigned to and managed by NASA installations. To date, there has been independent interpretation of functions Agency-wide, and there has been no oversight at HQ of Center based Corporate G&A activities.

Urgency / impact:

This issue potentially impacts IFMP systems configuration, and therefore urgency for resolution and impact in the Full Cost Initiative are high.

	L					H
	1	2	3	4	5	
Urgency for decision				✓		
Impact if not resolved				✓		

Options:

Reaffirm the criteria below for defining content for Corporate G&A, and publish the complete list of items under Corporate G&A (included in the Report from the Corporate G&A Working Group) in the revised Yellow Book. Specific functions have been identified as Corporate G&A and are defined as programs, projects, services that:

- Are not aligned with a specific Enterprise, or, unique to the support of a specific center;
- Are not defined as a "program" or "project" in the proposed full cost budget structure;
- Are not directly related to one of the defined programs and projects;
- Cannot be easily traced to a program or project based on usage;
- Are required by the agency or external mandate and/or provide benefit to the entire agency; and
- Enable Functional/Staff Offices to conduct functional leadership responsibilities.

Recommendation:

The Corporate G&A Working Group recommends:

- To publish the list of functions as defined in the report from the Corporate G&A Working Group (to include ARC contract close out activities, which was erroneously omitted from the list);
- To establish a separate cost center for Office of the Chief Information Officer (Code AO) and transfer all activity from Corporate Management and Operations (no \$ impact);

- To assign HQ Functional Office sponsors for all Center-based Corporate activities for budget advocacy and insight. HQ functional offices would provide insight to Code ADI on these functions; and
- To transfer Orbital Debris from Code M to Code Q as a new corporate G&A function.

Decision made

Accept recommendation



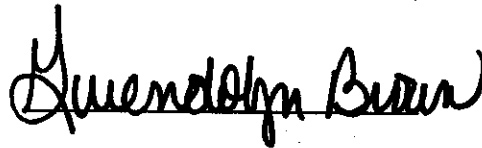
Reject recommendation



Require further study



Signed for the FC Committee



JUN 19 2003

Feedback

<i>From</i>	<i>Comments</i>
Tom Luedtke, Code H	Ok
Julie Baker, BF Project	No Comment
Jim Bevis, Stennis	Concur with recommendations
John Beall, JSC	accept
Rich Beck, Code B	<p>It is important to distinguish that activities in Corporate G&A should be activities that a HQ functional office requests a center to perform specifically <u>on behalf of the functional office itself</u> / for the functional office. The last two bullets under Options, especially the second to last, could result in centers believing that they can charge expenses of implementing HQ policies to Corporate G&A. For example, if a HQ policy dictates that centers should do an independent cost analysis on all new projects, or implement new systems engineering practices, these could be considered as "required by the Agency or external mandate" (such as a Congressional direction) which is listed here as a reason to charge something to Corporate G&A. For example it is not clear how "contract close out activities", as stated in the recommendation, are considered Corporate G&A, unless the item being closed out was dictated to be done by HQ for HQ.</p> <p>I am also concerned that the recommendation that functional offices provide insight to Code ADI on functions be clarified somewhat further to include that Code ADI/Code C is still responsible for developing the budget estimates for these activities and integrating them into the agency's Corporate G&A. I recommend that a list of these be attached to the decision paper.</p>
Ray Sparnon, Code U	Proposed Corporate G&A functions listed should be compared for consistency with Code ADAIAM POP Corporate G&A definition/content guidance and any discrepancies resolved. Publish criteria being used to establish separate "cost centers" - when does an activity qualify? Concur on designation of sponsorships. I believe the Executive Council has already approved the Orbital Debris transfer.
Dan Tenney, LaRC	Agree with recommendation

Full Cost Decision Memorandum #15**Issue:**

The process for the treatment of Corporate G&A during budget formulation and the organization responsible for reviewing and approving the funding level, and the timing of the cost allocation to programs/projects needs to be defined.

Source / reference: the

Report from Corporate G&A Working Group.

Background:

The Agency Institutional Committee (IC), Enterprise Committee (EC), and Executive Council (XC) were formed in 2002 with the responsibility of reviewing Corporate G&A along with the establishment of Associate Deputy Administrator for Institutions and Asset Management and the Institutional Management Office (Code ADI). However, no documented process for reviewing Corporate G&A was in place that reflected the roles of these new organizations. In addition, the FY 2004 budget formulation process left it unclear whether there was an appropriate owner of all Corporate G&A activities, whether it be Headquarters Code C or any other organization.

Urgency / impact:

This issue generally refers to the budget formulation process, and has no material bearing on IFMP systems configuration or the Full Cost Initiative.

	L					H
	1	2	3	4	5	
Urgency for decision			✓			
Impact if not resolved	✓					

Options:

Document the Corporate G&A budget formulation process, as it is now understood to be in place for the development of the FY 2005 budget including designating Code ADI as integration point for the Corporate G&A budget.

Recommendation:

The Corporate G&A Working Group recommends:

- To incorporate the revised processes in the revised Yellow Book, to include:
 - The change in Corporate G&A ownership from NASA HQ Code C to NASA Headquarters Code ADI; and
 - A description of the Institutional Committee and Executive Council decision processes.

Decision made

Accept recommendation

☐

Reject recommendation

☒

Require further study

☐

Signed for the FC Committee

Quendolyn Brown

JUN 19 2003

Note: This is not considered a Full Cost issue.

Feedback

<i>From</i>	<i>Comments</i>
Tom Luedtke, Code H	Ok
Julie Baker, BF Project	No Comment
Jim Bevis, Stennis	Concur with recommendations
John Beall, JSC	accept
Dan Tenney, LaRC	We support Code ADI providing targets and guidance relative to facility expenses. However, the Center must balance programmatic funding and all institutional expenses to develop an integrated strategy to meet mission objectives. To efficiently implement these mission objectives, the Agency should provide guidance and targets. However, any institutional mandates should be given with associated funding to support the requirement to ensure mission objectives are not comprised
Ray Sparnon, Code U	Concur, assuming the "ownership" statement is consistent with the Code ADAIAM charter (thought it was a coordinative/integration function, not an ownership function being performed).

Full Cost Decision Memorandum #16**Issue:**

The Corporate G&A allocation methodology needs examining and defining.

Source / reference: the

Report from Corporate G&A Working Group.

Background:

Generally Corporate G&A costs are non-direct support costs that cannot be related or traced to a specific project based on some form of cause and effect consumption linkage. In some cases the rationale for including a service or activity within the scope of Corporate G&A may be the inability to implement that linkage in an economically feasible manner.

Corporate G&A consists of NASA Headquarters activities, Agency level functions that are not immediately and evidently traceable to a project, or those activities/services that cannot be efficiently or economically linked to a benefiting customer.

Corporate costs are collected in one pool for eventual allocation to projects based on a pre-determined algorithm. In simple terms, the issue is what is the most rational algorithm for effecting that allocation. The optimal solution is to allocate Corporate G&A in such a way that:

- The most obvious derived cause and effect relationship is simulated;
- The least impact to system performance is realized;
- The most stable methodology is used (least affected by allocation base fluctuations and anomalies);
- Acceptance and understanding by cost object/target owners (programs/projects) is facilitated; and
- Consistent and standard comparisons across cost objects/targets (programs/projects) can be achieved.

Urgency / impact:

This issue impacts the configuration of IFMP systems and therefore the urgency and impact are considered to be high.

	L					H
	1	2	3	4	5	
Urgency for decision				✓		
Impact if not resolved				✓		

Options:

Options for allocation Corporate G&A:

- Direct civil service FTEs;
- Sum of direct civil service FTEs and direct on-site contractor personnel; or
- Allocation based on cost (direct cost and service pools.)

In addition, the basis of allocation may be applied monthly, or periodically during year, e.g. quarterly, semiannually, or at the end of the fiscal year.

Recommendation:

The Corporate G&A Working Group recommends that:

- Allocation based on cost (direct cost and service pools) should occur on a monthly basis as the last step in the monthly allocation process:
 - The allocation process will require an additional assessment segment to allocate cost from Corporate G&A performers to the Agency level prior to allocation back to projects at the Center level; and
 - Allocation should occur at the highest level of the WBS structure if possible (WBS Level 1). Based on the configuration of IFMP systems, allocations have to utilize WBS elements as targets, which implies an allocation methodology, which distributes costs to the Center level.
- Corporate G&A should be allocated on the same schedule as Service Pools and Center G&A, as to create variable schedules in the allocation process for various elements of cost would in all probability create additional burdens on the IFMP systems cost assessment maintenance function as well as increase the complexity of understanding/insight for program/project managers.

Decision made

Accept recommendation



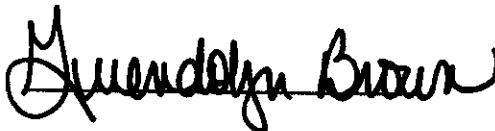
Reject recommendation



Require further study



Signed for the FC Committee



JUN 19 2003

Note: For clarification, Corporate G&A is allocated *pro rata* based on budget authority.

Feedback

<i>From</i>	<i>Comments</i>
Tom Luedtke, Code H	Ok
Julie Baker, BF Project	DM#16 - The BF system is designed to allocate Corporate G&A budget requirements back to the project definition level based on NOA. In this regard, the system is consistent with the DM recommendation. To begin this process, all the budget requirements within the Corporate G&A pool are planned and then summarized to arrive at a single Corporate G&A budget requirement. This annual requirement is the basis for the allocation process, which eliminates the first Recommendation sub-bullet ("The allocation process will require..."). However, the reference to "allocation back to projects at the Center level" (in that same sub-bullet) is unclear. I believe this refers to Corporate G&A activities conducted at the various Centers, however the BF design does not make an intermediary distribution the Center level with further distribution to the project. This sub-bullet needs to be clarified. The same confusion applies to the second sub-bullet. It is not clear to me how distribution to the Center level factors into the allocation process.
Jim Bevis, Stennis	Concur with recommendations
John Beall, JSC	accept

From	Comments
Rich Beck, Code B	The recommendation to allocate Corporate G&A at WBS Level 1 is inconsistent with our decision to implement full cost at the project level (UPN 3/5 as dictated by a project's location). This recommendation would place Corporate G&A on collection of projects in some cases.
Pam Cucarola, BF Project Manager	<p>As noted in the recommendation section of this paper, the allocation of Corporate G&A based on cost (direct and service pools) will create an additional step in the monthly allocation process. This will require establishing an Agency WBS Group for Corporate G&A Allocation purposes. The universe of WBS's that will be mapped to this group is anticipated to be quite large. This causes two potential system complications: 1. We will need to verify that there is not a limit on the number of WBS's that can be in a single WBS Group within SAP; 2. The run time of this last allocation step could run into performance issues if the number of projects is quite large.</p> <p>Also, the objectives outlined in the background section of this paper noted that the optimal solution would include selection of an allocation methodology that would be least affected by allocation base fluctuations. I would suggest that monthly cost amounts would not be a stable base for allocation of Corporate G&A. Suggest consideration of alternate mechanisms such as FTE's or NOA.</p> <p>Allocation of Corporate G&A at a high level of the WBS structure would create several complications, not just from a systems perspective, but also from a data and reporting view. The Project WBS Structure is hierarchical. Which means that postings occur at the lowest level of the structure and sum up at each of the parent levels. The suggestion that postings occur at higher levels would invalidate the hierarchical roll up of cost information. Reporting of project cost would be complicated by the fact that you would basically have top level postings that didn't originate at the lowest level of the hierarchy. This complication should be thoroughly understood and assessed before this decision is finalized. An alternative might be to allocate Corporate G&A to Center G&A and then allocate from Center G&A to the projects using that allocation process. This would ensure consistent posting of allocations and direct costs from a hierarchy standpoint and would streamline the allocation cycles. This suggestion is of course dependent on agreement that Corporate G&A is appropriately allocated using the same basis as Center G&A.</p>
Dan Tenney, LaRC	Agree with recommendation
Ray Sparnon, Code U	Define "direct cost". Is it just Procurement and Service Pools or does it also include Personnel and Travel ? OBPR recommends the sum of the four components of direct project cost. Allocation of the Corporate G&A costs at WBS Level 1 will result in allocations of cost at the Enterprise Level, not the project level. As long as cost reporting for Corporate G&A at the project level is not required, the recommendation is appropriate. OBPR suggests Agency consider a simpler initial approach to reporting Corporate G&A costs by limiting the cost reporting to the NASA centers at which the Corporate G&A cost centers work was actually performed. Allocate the costs back on an annual end-of-FY basis if actually required but not monthly as the Enterprises have no information on this or Center G&A and requiring them to explain variances in a phase plan to content they have no knowledge of is of no value to anyone.

Full Cost Decision Memorandum #17**Issue:**

IFMP systems capabilities and configuration requirements for Corporate G&A need to be identified and understood.

Source / reference: the

Report from Corporate G&A Working Group.

Background:

Corporate G&A will be funded through the process of taking a percent of the funds as they are apportioned from OMB. This more than likely will be done at the 3 to 5 digit full cost program/project level. An operating account for Corporate G&A with its own UPN could be established in which the funds (or budget in IFMP terms) would be transferred. Headquarters would then issue purchase orders/contracts for its necessary expenses, incur payroll expense, or even transfer funds (budget) to centers for Corporate G&A functions.

IFMP systems can accommodate the funds (budget) going to a Corporate G&A account for Headquarters expenses, similar to the centers Center G&A account. The system allows for the budget transfer of funds from Corporate G&A to Centers for Corporate activities.

The issue was raised as to the level Corporate G&A costs be allocated, or assigned, to the benefiting programs/projects. Ideally, the allocation should be at the same level from which the funds (budget) were transferred which is the 3 to 5 digit full cost program/project. However, IFMP systems will not allow posting of costs at the 3-digit level or WBS level 1. They must be posted at a lower level in order to roll up to the 3-digit level. IFMP is very robust and can accommodate the detailed allocation process. No specific changes are required to the IFMP systems to accommodate Corporate G&A and its assessment to the benefiting program/projects. However, a final chart of account for Corporate G&A needs to be defined.

Urgency / impact:

This issue impacts the configuration of IFMP systems and therefore the urgency and impact are considered to be high.

	L					H
	1	2	3	4	5	
Urgency for decision						✓
Impact if not resolved						✓

Options:

Fund an Operating Account with a separate UPN funded through budget transfers at the 3 to 5 digit full cost program/project level based on direct NOA. Cost assessments should be made to the benefiting programs/projects at the highest level feasible.

Recommendation:

It is recommended:

- To fund an Operating Account with a separate UPN funded through budget transfers at the 3 to 5 digit full cost program/project level based on budget authority. Cost assessments should be made to the benefiting programs/projects at the highest level feasible.
- At start of fiscal year the Corporate G&A costs allocated to each full cost project would be subtracted from each project prior to funding being authorized to the Enterprises and Centers (or some % of that planned number if full program authority is not received.)

- Those funds are then given to Corporate G&A manager to spend. As the budgets are spent within the Corporate G&A pool, periodically (probably monthly) the accumulated obligations and costs are allocated out against the funding programs/projects. Assessments should be one number and based on when something obligates in the Corporate G&A pool in the same manner as they were initially pulled off the projects at the start of the fiscal year.

Decision made

Accept recommendation

☒

Reject recommendation

☐

Require further study

☐

Note: The process is subject to confirmation by the IFM Program.

Signed for the FC Committee



JUN 19 2003

Feedback

<i>From</i>	<i>Comments</i>
Tom Luedtke, Code H	Ok
Julie Baker, BF Project	This memo addresses budget execution for Corporate G&A.
Jim Bevis, Stennis	Concur with recommendations
John Beall, JSC	<p>The Agency should not need to derive the allocation methodology during the budget formulation process. In memo 16, it was stated that the allocation method is based on cost, which means that the only thing that needs to be developed each year is the new rate (i.e., add 5% to each dollar for corp. G&A). Also, we don't know what "proration" means. If it means the way "proration was done in the 2004 budget it resulted in different percent adds to different programs for corp G&A. If the corp G&A allocation is based on cost, we think the corp G&A add should be uniform across all programs at all centers (i.e., 5% add for each direct and service pool dollar.)</p> <p>Also, the last bullet should definitively state that allocation of corp G&A occurs monthly to be consistent with memo 16's recommendation. The last sentence is unclear -- assessments are performed at the end of a month, not when something is obligated, and the assessments should be based on the same percentage that the programs were asked to contribute for the year (i.e., 5%)</p>

<i>From</i>	<i>Comments</i>
Pam Pucarola, BF Project Manager	<p>The first part of the recommendation in this paper seems to contradict the recommendation in paper #16. Paper 17 discusses allocation based on direct NOA while Paper 16 mentioned based on direct and service pool costs.</p> <p>The third part of the recommendation states that Corporate G&A funding would be taken off the top prior to distribution of funding to the Enterprises and to the Centers. If this is the approach, then Center Project Budgets will never be "whole", unless Corporate G&A is not included in the Project's Operating Plan. The process to transfer funding from direct projects to fund the various pools provides visibility to the project managers for amounts transferred by pool. If this process is done prior to distributing funds to the Program or Project levels, this visibility will be lost.</p> <p>This paper should discuss allocation of obligations from service pools. It should be noted that SAP's cost allocation processes will allocate cost only. The standard Agency process is to allocate cost, not obligation amounts.</p>
Dan Tenney, LaRC	Agree with recommendations
Ray Sparnon, Code U	Do not concur in trying to allocate Corporate G&A costs back to projects on a monthly basis. Transfer the funds as they are apportioned from the Enterprise budgets and have the funds managed by the Corporate G&A oversight entities with them being responsible for reporting execution variances through the Executive Council process or some other internal agency-wide oversight team.

Full Cost Decision Memorandum #18**Issue:**

Define the level in which Enterprises plan and explain variances in their "Full Cost" Resource Management (Obligation and Cost Phasing Plans) status, reporting to Code B & the Enterprise/Agency PMCs in their Theme Areas -including Erasmus reporting in a full cost environment. Erasmus, the current Program Management Reporting Tool, depicts budget status in a BAU format and needs to be modified to reflect Agency Management's full cost reporting requirements prior to the beginning of FY 04.

Source / reference:

A Code R CFO Full Cost issue review identified several key policy and/or management issues not addressed in the Full Cost Policy and Implementation Team's Full Cost Issues and Recommendations Report submitted to the Agency Full Cost Steering Committee on May 6, 2003

Background:

Current policy, as exemplified in Center Obligation and Cost Phasing Plan submittal to Headquarters and the Agency Erasmus system, depicts only Program/Project Plan vs. Actual tracking on a Business As Usual (BAU) basis. As currently defined, in FY 04, when the Agency transitions to Full Cost, the "full cost" of a program/project will be captured in IFMP systems at 6 lines of financial full cost data as well as the Direct Civil Service FTE plans of each program/project.

Urgency / impact:

If the Agency wants Erasmus resources status and Phasing Plan reporting to the Enterprises and Code B in a "full cost" basis for management tracking purposes at the start of FY 04, software design changes would need to be initiated no later than.

	L					H
	1	2	3	4	5	
Urgency for decision			✓			
Impact if not resolved			✓			

Options:

1. Request and receive Program/Project Phasing Plans for each full cost element line (Procurement, Salaries, Travel, Service Pools, Center G&A, Corporate G&A, and direct Civil Service FTEs.) This would dramatically increase the workload burden placed on the Centers by requiring many additional lines of data to be phased and reported on to Agency Management.
2. For Senior Management reviews, report on Procurement and Non-Procurement dollar variances and Direct Civil Servant FTE variances as the basis for analyzing meaningful Phasing Plan Issues.

Recommendation:

As per the Code R/CFO team, it is recommended that:

- Centers develop Phasing Plan data at the Program and Project level for all full cost;
- Via Erasmus, Enterprise PMCs, Agency PMCs and the Agency Comptroller review Program and Project obligation, cost and Direct Civil Service FTE phasing plans versus actuals, and explain variances at the total full cost level with sub-breaks by Procurement, Non-Procurement and Civil Service FTEs;
- Develop and track Corporate G&A phasing plans separately as a Headquarters budget account and do not include in each Program/Project Phasing Plan;

- Do not request that Program/Project Managers explain Corporate G&A Phasing Plan variances.

Decision made

Accept recommendation



Reject recommendation



Require further study



Signed for the FC Committee

Mwendolyn Brown

JUN 19 2003

Feedback

<i>From</i>	<i>Comments</i>
Tom Luedtke, Code H	Ok
Julie Baker, BF	DM#18 - The BF tool will support formulation of phasing plans with all full cost elements, however the system will not be available to capture all phasing plans until the midyear FY04 update, in Spring 2004. The Financial Steering Committee voted to formulate and submit the initial phasing plans outside of IFMP, however the content/structure of those phasing plans were not decided. To submit these initial phasing plans by WBS by full cost element would be a manually intensive exercise at a time when the Agency is just completing rollout of Core Finance, learning the FY04 full cost structure and supporting the initial roll out of Budget Formulation. For these reasons, it was recommended by BF that phasing plans not be required to reflect the full cost structure.
Jim Bevis, Stennis	Agree with Team recommendation. But have a question: Will HQs also continue to review integrated phasing plans/variances for Cost pools at some level (e.g. Enterprise, Code ADI, et al)?
John Beall, JSC	We feel that corp G&A should not be treated any differently than Center G&A or service pools. They should be included in the program/project phasing plan since actuals will be allocated back each month. And program/project managers should have to explain the variance for corp. G&A, just as they need to do for all other elements of their full cost budget. Also, reference memo 23 -- needs to be consistent.
Pam Cucarola, BF Project Manager	The background section of this paper references "6 lines of financial full cost data". From a Core Financial perspective, we are not clear on what this is referencing. The Urgency/Impact section has omitted the no later than date. Suggest clarification of program and project manager responsibility with respect to phasing plans for service pool allocations. Program and Project managers cannot determine phasing plans for their share of service pool allocations. The service pool managers develop those plans at a pool level. To further complicate the process, service pool obligations are not allocated back to the direct projects, only at the cost stage. Therefore obligation phasing plans for direct projects should always match the cost phasing plans with respect to service pool components. My basic question is where should the accountability lie to explain variances against service pool phasing plans? Should this be with the direct project managers or the pool managers? The pool managers will be in the best position to understand overall phasing plan variances as well as the reasons for the allocation variances to the direct projects.

<i>From</i>	<i>Comments</i>
Rich Beck, Code B	Please specify that not including Corporate G&A in phasing plans in individual phasing plans could be more complicated than it seems in that this will require an alternate NOA number to be used for programs/projects that excludes Corporate G&A. If Corporate G&A is not included in the phasing plans when it is included in the budget/NOA number the "yet to cost" figures could appear larger than actual.
Ray Sparnon, Code U	Do not concur in recommendations as stated. Center G&A phase plans by program/project is of no practical value to the Enterprise and certainly do not justify the expense of creating them at that level of detail. We have no knowledge of what the plan covers and variance information is meaningless on a by program/project basis since the content/budget/schedule is not managed by the program/project manager. Centers should prepare a total Center G&A phase plan by major cost component category and report on their variances to various oversight entities. Developing program/project phase plans and variances for "procurement" and "non-procurement" only works if there is no requirement to report personnel costs separately from travel (if that is what non-procurement is defined to include). Concur in Corporate G&A approach and variance reporting - should be adopted for Center G&A since program/project managers don't manage those budgets either.
Dan Tenney, LaRC	<p>We agree that project managers will need to phase funds for all aspects of the full cost budget, including services, G&A, travel, procurements and FTE's. However, the Agency should consider use of one system for all reporting requirements. The IFM Budget Formulation model will hold all phasing plans, while Core Finance holds actual costs. The Erasmus system is another system that will require manual upload. Reports can be generated combining plans and actuals from IFM to replace Erasmus. Thus, we recommend eliminating Erasmus once Budget Formulation and Core Finance are fully implemented.</p> <p>Programs/projects should be required to explain variances from the total full cost level only. Any deviations from planned procurements, non-procurements are not really relative to completion of mission objectives.</p>

Full Cost Decision Memorandum #19**Issue:**

How should NASA submit FY 05 New Initiative Budget Estimates to OMB on September 8th? A lack of policy guidance led to New Initiative budget submittals to the Space Architect using 3 different sets of assumptions (including BAU, Full Cost, and Additive Costs during the FY 04 Budget Process).

Source / reference:

A Code R CFO Full Cost issue review identified several key policy and/or management issues not addressed in the Full Cost Policy and Implementation Team's Full Cost Issues and Recommendations Report submitted to the Agency Full Cost Steering Committee on May 6, 2003.

Background:

OMB will assume that the Agency FY 05 In-Guide budget submittal to them already fully funds NASA's Salary, Travel, G&A & Service Pool costs, so that additive funding and additional Agency Civil Service FTEs are not required to cover any NASA New Initiative Non-Procurement costs.

Urgency / impact:

New Initiative budget estimates (true Full Cost or Additive Costs) are required to be submitted to OMB as part of our Agency FY 05 OMB Budget Submit (Sep 8th). A decision on this issue has to allow enough time for the Centers to develop and the Enterprises to validate either their Full Cost or Additive Cost estimates. Therefore a decision is required prior to the Administrator's Budget Decisions on August 8th.

	L					H
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Urgency for decision			✓			
Impact if not resolved			✓			

Options:

1. Enterprises should provide the initial New Initiative estimate in "Full Cost" in their initial budget submittal to Code B, but provide only additive cost/FTE requirements in the NASA Over-guide Budget Submit to OMB.
 - a. The Agency should provide OMB in the FY 05 Budget Submit with the New Initiative "additive cost" bill highlighting the additional dollars & FTEs required in our Agency Over-guide Budget Request as well as the actual New Initiative "Full Cost" Budget Estimate for information/approval purposes. If OMB approves a New Initiative in the OMB Passback, available for New Work FTEs funded in Center G&A in the Agency Budget Submit would be transferred to the New Initiative to meet its staffing requirements-- along with appropriate Center G&A, Corporate G&A, Service Pool, Salary & Travel dollars; and
 - b. This option is based upon the assumption that the Agency in-guide budget submittal to OMB already fully funds NASA's Salary, Travel, G&A & Service Pool costs, so that additive funding is not required to cover NASA New Initiative indirect costs.
2. All New Initiative budget estimates provided to OMB should be stated only in Full Cost, not additive cost
 - a. OMB/ Congress will clearly understand the level of investment required to perform the proposed initiative;

- b. This approach minimizes risk to the Agency from a funding perspective. Requesting anything other than Full Cost implies that indirect funding and FTEs are currently available within the Agency's guideline; and
- c. The Agency cannot afford to have projects marginally priced in its submission to Congress.

Recommendation:

Recommend that Code B negotiate a clear agreement with OMB on the ground-rules for over-guide New Initiative Submittals in a full cost environment, (Option 1, Option 2, or an alternative option) to ensure a consistent approach to the Agency FY 05 Budget Process.

Decision made

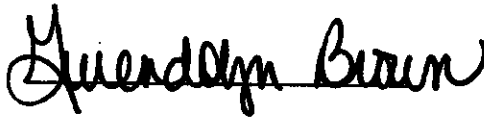
Accept recommendation

☒

Reject recommendation

☐

Require further study

☐*Signed for the FC Committee*

JUN 19 2003

Note: Code B will inform OMB that all new initiatives are formulated and presented in full cost. In addition, any material variances to the current in-guide budget will be reflected in any presentation.

Feedback

<i>From</i>	<i>Comments</i>
Tom Luedtke, Code H	Ok
Julie Baker, BF Project	No impact on BF.
Jim Bevis, Stennis	I feel that we should go with option 2 and submit new initiatives in full cost. Furthermore, centers should be allowed to recast their entire budget submits to include any new initiatives before they go to OMB; this should not be done at the Enterprise/Code B level. OMB should also understand that any adjustments made in our passback will require a "rebalancing" of infrastructure costs to reflect these adjustments, regardless of whether they are augmentations, rephasings, zero-sum transfers, new starts, program cancellations, etc.
John Beall	We prefer option 2
Rich Beck, Code B	Caution is needed when adding existing resources to "new initiatives". Last year the agency was very successful in definitizing within-baseline new initiatives vs augmentations for new initiatives. That practice should be reflected in the options, which is the same as Option 1 but would continue to distinguish between within guideline new initiative and an augmented new initiative throughout the entire budget process since failure to approve the new initiative as one item, where within-baseline funds are melded in, would lose the within-baseline funds too when the new initiative is rejected.
Ray Sparnon, Code U	Concur in the recommendation on negotiating with OMB on what to submit for new initiatives. However, until the agency marries the FTE allocation/distribution decisions with the approved new initiatives decisions during the later stages of the agency budget development process, no one knows whether there are any available baseline unfunded FTEs for redistribution to the new initiative. A review of the pros/cons of additive vs. full cost should be done in context to the new initiatives to determine the approach. In most cases, even if one wanted to submit a full cost estimate, the Corporate G&A and Center G&A estimates would be ROM estimates since the level of detail impact of the new initiative on the agency and centers G&A content is not available.
Dan Tenney, LaRC	<p><i>We agree with option 2:</i></p> <ol style="list-style-type: none"> 2. All New Initiative budget estimates provided to OMB should be stated only in Full Cost, not additive cost d. OMB/ Congress will clearly understand the level of investment required to perform the proposed initiative; e. This approach minimizes risk to the Agency from a funding perspective. Requesting anything other than Full Cost implies that indirect funding and FTEs are currently available within the Agency's guideline; and f. The Agency cannot afford to have projects marginally priced in its submission to Congress. <p>All resources at the Center are planned against current programs/projects. Thus, any new initiatives have to be full cost. To price all new initiatives in full cost is also the recommendation of memorandum #13.</p>

Full Cost Decision Memorandum #20**Issue:**

How should we handle Congressional Earmarks in a FY 04 "Full Cost" Environment?

Source / reference:

A Code R CFO Full Cost issue review identified several key policy and/or management issues not addressed in the Full Cost Policy and Implementation Team's Full Cost Issues and Recommendations Report submitted to the Agency Full Cost Steering Committee on May 6, 2003.

Background:

Congress routinely adds earmarks to the President's Budget Request. Under Business As Usual (BAU) rules and processes, the entire value of each earmark is generally intended for out-of-house recipients. Once the Agency transitions to Full Cost rules and processes, there is a question of how earmarks which have traditionally been strictly a BAU R&D add-on to our program budgets, will be accounted for.

Urgency / impact:

We need a consistent Agency Policy and or dialogue/agreement with Congress prior to FY 04 budget approval to avoid potential political issues.

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Urgency for decision				✓		
Impact if not resolved				✓		

Options:

- Simply add the earmark dollar value to the Procurement Line of the benefiting Program and do not assess any indirect costs. This approach would also minimize the NASA workload associated with adjusting the official budget database to reflect Congressional Budget earmark adjustments to our Agency budget levels (i.e. just adjusting the Procurement line is much easier than re-spreading indirect costs across all Center programs); or
- Distribute the earmark total value among the full cost elements, reducing the amount available for Procurement awards to proposed recipients. Let Congress know how much of an indirect cost should be added to future earmarks prior to their final FY 04 budget deliberations.

Recommendation:

As per recommendation from the Code R CFOs, it is recommended that:

- Enterprises/Centers add the earmark dollar value to the Procurement Line of the benefiting Program and do not reduce the earmark amount to assess it "indirect" costs as these costs are already covered in the Agency "in-guide" President's Budget Submit; and
- Exceptions to this policy (which might be justifiable for earmarks that are intended to augment the level of NASA in-house activity) would require advance notification to Code B/Code L to ensure this action would not create Congressional concerns.

Decision made

Accept recommendation

☐

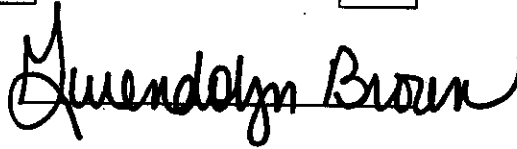
Reject recommendation

☒

Require further study

☐

Signed for the FC Committee



JUN 19 2003

Note: Earmarks will be treated on a case-by-case basis in accordance with Congressional direction and Agency policy

Feedback

<i>From</i>	<i>Comments</i>
Tom Luedtke	Don't understand why, if we are serious about full cost, we are giving earmarks a free ride and artificially underestimate their cost to the agency--- if Congress wants to give us an earmark, they should understand that it needs to be sufficient to carry the full cost of the effort. Disagree with the recommendation.
Julie Baker. BF Project	No comment
Jim Bevis, Stennis	Generally concur with recommendation, but have a few additional comments: 1) For earmarks that require indirect funding, we can make adjustments in our initial operating plan to add/reallocate these costs from other projects. 2) Another option is to work with the congressional committees to develop estimated center overhead assessments for them to include in their earmarks up front. Either way, we'll have to do some "rebalancing" in our initial op plan to accommodate congressional adjustments to our submission.
John Beall, JSC	accept
Ray Sparnon, Code U	Concur - add earmark \$\$ to the program/project's procurement line.
Dan Tenney, LaRC	<i>Agree - recommend minor revisions</i> We agree that any earmark that is out-of-house/pass-through should be in the procurement line. However, any earmark that uses Center services should be assessed cost appropriately, just like any project. Fundamentally, all activities being performed at the Center must pay for services being utilized. The Agency should continue to educate Congress and OMB on full cost to ensure the funders and stakeholders understand full cost principles and practices.

Full Cost Decision Memorandum #21**Issue:**

Strategic workforce planning is impeded by the Agency-imposed FTE limit.

Source / reference:

Report from the Office of Spaceflight, "Full Cost Issues and Recommendations", issue #9.

Background:

The Office of Management and Budget and NASA negotiate the Agency FTE limit (not required by statute) and then NASA levies staffing level controls on the Centers as well. This impedes ability to perform strategic workforce planning. The Full Cost Concept allows Program Managers to "buy" the right level of civil servants. FTE/FTP controls require Center re-prioritization to "fit" in the box and can impede Program Managers ability to appropriately staff their project.

Urgency / impact:

Impact of decision is potentially large, though no immediate impact on the configuration of IFMP systems, therefore urgency determined to be relatively low.

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	1	2	3	4	5	
Urgency for decision		✓				
Impact if not resolved				✓		

Options:

The only option proposed is to eliminate FTE controls as an impediment to strategic workforce planning and allow Program Managers to "buy" the right level of civil servants

Recommendation:

Recommendation is to eliminate Agency-imposed FTE controls. For clarity, FTP controls will be retained.

Decision made

Accept recommendation

☒

Reject recommendation

☐

Require further study

☐

Signed for the FC Committee

Quendy Bizer

JUN 19 2003

Feedback

<i>From</i>	<i>Comments</i>
Tom Luedtke, Code H	Ok
Jim Bevis, Stennis	Memo #21 Agree with recommendation to eliminate FTE controls, but based on what we've been hearing we will still have FTP controls. This is not much better. I think the memo should be revised to include a recommendation to eliminate FTP as well as FTE controls.
John Beall, JSC	accept
Rich Beck, Code B	Please include an option to use FTP controls instead of FTE controls along with the following explanation: in trying to convince OMB and Congress that NASA should be able to mix personnel and program funds, continuing with FTP controls for at least some period of time as a back-up could help facilitate their acceptance of this important funding flexibility and help eliminate Congress's practice of specifying the amount of funds NASA has for personnel.
Ray Sparnon, Code U	Concur - but impractical to implement unless a strategy is developed to demonstrate to OMB and the Congress how this "freedom to manage" is consistent with the FAIR Act Inventory/outourcing initiatives.
Dan Tenney, LaRC	Agree with recommendations

Full Cost Decision Memorandum #22**Issue:**

Managing human capital under full cost or as a result of material changes in scope to programs or projects.

Source / reference:

Report from the Office of Spaceflight, "Full Cost Issues and Recommendations", issue #10.

Background:

Full cost management principles regarding major program realignments and/or termination have not been fully implemented and documented. During the FY 2004 Office of Management and Budget pass-back process, however, major workforce reductions were made to Center programs as a result of program realignments/terminations (SLI, Commercial Technology, Space Product Development) under the auspices of full cost management, which resulted in approximately 400 unfunded FTEs beginning in FY 2005 without regard to termination liability consequences.

Urgency / impact:

Impact of decision is potentially large, though no immediate impact on the configuration of IFMP systems, therefore urgency determined to be relatively low.

	L					H
	1	2	3	4	5	
Urgency for decision		✓				
Impact if not resolved						✓

Options:

Three options have been presented (with pros and cons provided in the source document):

Option 1: Negotiate with Enterprises and current Center projects to identify where civil servant expertise might be needed across the Agency and reallocate to these paying customers. Examples of areas where additional civil service expertise is currently needed include OSP (level 3 insight role), Prometheus (nuclear propulsion), Optics, IFM and Institutional core capabilities

Option 2: Establish core competencies transitional workforce (propulsion, propulsion research, program/project management, IT, business management, science, education) within Center G&A and allocate back to each project. Pursue buyout authority for those skills not deemed to be core competencies

Option 3: Conduct a selective Reduction in Force.

Recommendation:

The recommendations presented are threefold:

- Negotiate with Enterprises and Center projects to identify opportunities to reallocate FTEs to funded activities;
- Establish transitional wedge for unfunded skills; and
- Pursue buyout authority for non-essential skills.

Decision made

Accept recommendation

☐

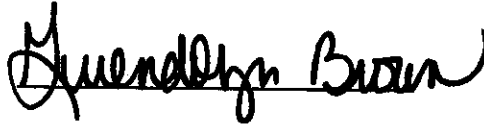
Reject recommendation

☒

Require further study

☐

Signed for the FC Committee



JUN 19 2003

Note: Code ADI maintains the policy for the scope of these recommendations. Current policy should be adopted and followed accordingly.

Feedback

<i>From</i>	<i>Comments</i>
Jim Bevis, Stennis	Agree with recommendation to allow Enterprises/Centers to reallocate FTEs to funded activities in an effort to preserve critical skills. Second recommendation re: Transitional wedge is unclear: Does this imply that we establish a funding wedge in addition to an FTE wedge in G&A unless/until we reallocate or reduce?
John Beall, JSC	Accept
Rich Beck, Code B	A policy for all FTE affected by termination, re-scoping and de-scoping of programs / projects (for addition to the Full Cost Implementation Guide) has already been developed and approved by the Executive Council, Centers, and Code ADI.
Ray Sparnon, Code U	Concur in recommendations contingent upon a schedule with milestones to determine at what point option 3 (RIF), which was not recommended, may actually be required to ensure the Agency has the HR tools/processes in place to live within the available budget (i.e., if we know in the FY 05 PBS that there are unfunded FTEs beyond what is determined to be reasonably able to be transitioned into another project, then a by-center plan should be developed, implemented, and tracked to completion so that the workforce is appropriately planned to be sized consistent with the FY 05 budget request levels).
Tom Leudtke, Code H	OK
Dan Tenney, LaRC	Agree with recommendations

Full Cost Decision Memorandum #23**Issue:**

Program and / or project managers and program resources managers are concerned this will require them to become institutional subject matter experts.

Source / reference:

Report from the Office of Spaceflight, "Full Cost Issues and Recommendations", issue #1.

Background:

Expectations on the Hill, within OMB, and within NASA Code B are that NASA will manage Full Cost at the Corporate, Center, and program levels. In order to meet this expectation, program/project managers and program resources managers are concerned this will require them to become institutional subject matter experts. This would place unnecessary burden on the program managers and would not be consistent with the common Industry practice of managing Full Cost at the Corporate level.

Urgency / impact:

Impact of decision is moderate, though no immediate impact on the configuration of IFMP systems, therefore urgency determined to be relatively low.

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	1	2	3	4	5	
Urgency for decision		✓				
Impact if not resolved			✓			

Options:

Eliminate the need for program managers to be Institutional experts.

Recommendation:

The recommendations presented are twofold:

- Develop a consistent response for external Agency questions
- Clarify roles/responsibilities for Program Managers, Program Resource Managers on G&A and service pool allocation methodologies, etc.

Decision made

Accept recommendation

☐

Reject recommendation

☒

Require further study

☐

Signed for the FC Committee

Quendolyn Brian

JUN 19 2003

Note: The Full Cost Committee expects our managers to manage in a full cost environment.

Feedback

From	Comments
Jim Bevis, Stennis	This recommendation is too vague. We need to make specific recommendations rather than simply make broad, generalized statements. This merely throws the issue over the fence to the authors of the updated Yellow Book. I think this issue is blown a little out of proportion anyway. Program managers, for example, are expected to be able to monitor/justify/characterize budget issues related to contractor overhead rate adjustments, labor rate increases, etc. as part of the normal agency/congressional budget process. Variations/fluctuations in center overhead should not be materially different in nature or complexity. It should be in their best interest to be more knowledgeable in this area in the future anyway since these costs are liens against their resources.
John Beall, JSC	This memo is a bit unclear about the program manager's institutional role. Also, needs to be sync'd with memo 18. If the role of the program manager does not need to include an understanding of institutional content, then we think that memo 18 recommendation needs to also be revised to outline who will be responsible for statusing the various parts of the budget. Perhaps this memo should summarize the roles and responsibilities of the individuals.
Pam Cucarola, BF Project Manager	I think that the issue noted in this paper is also applicable to the phasing plan reporting discussion in paper #18. If we don't want to make program/project managers institutional experts, then carry this philosophy forward to the phasing plan accountability question.
Rich Beck, Code B	Please emphasize that it is important for Program/Project Managers to be very familiar with their project-unique civil service personnel and use of service pools, since these have the most direct impact on their projects and should have a choice in these, while it would be suitable for them to know perhaps not much more than the percent of the Center G&A and Corporate G&A that is assessed against their projects but that they do understand that these costs are considered part of their project costs, just as a TRW project manager understands the total cost of his/her contract with NASA, which includes G&A.
Ray Sparnon, Code U	Program/project managers and their resources support staff should not and frankly do not have the time to be required to be institutional subject matter experts on issues associated with Corporate or Center G&A and probably the Service Pool budgets. The first two budgets are developed and managed independently of the program/project manager's control. It appears many of the service pools will also to since many centers have the procurement related functional content in the direct procurement budget, not the service pool budget. To this point our program/project managers and their resources staffs in the centers have received minimal information on the content/budget/schedule with any of these three elements of full cost. Expecting them to be knowledgeable on these areas is unrealistic.
Tom Leudtke, Code H	OK
Dan Tenney, LaRC	Program/project managers should be knowledgeable about the expenses of program/project. In that regard, expenses of the project should be based on the integrated project plan. These managers are not expected to be subject matter experts in all areas. However, the program/project manager should become educated on full cost practices and principles to understand the cost relationships for services being consumed. We recommend the Agency clarify current practices, roles, and expectations of program/project managers.

Full Cost Decision Memorandum #24**Issue:**

Rapid and unplanned changes to Service Level Agreements are detrimental to institutional capability.

Source / reference:

Report from the Office of Spaceflight, "Full Cost Issues and Recommendations", issue #7.

Background:

Under Full Cost, projects will have incentives to reduce costs. One likely avenue for cutting costs will be to decrease the level of service provided by a service pool. However, this is a fallacious assumption - that a lower level of service will produce a lower cost - because Service Pools, like all other business organizations, have both variable and fixed costs.

Fixed costs are those costs that the pool must pay for; they are costs associated with funds used to pay for resources needed to operate the pool and deliver their service. These costs do not vary with a different rate or amount of service the Pool delivers. Fixed costs often take the form of contracts, labor commitments, etc. Variable costs are those costs associated with funding varying amounts of materials and labor needed to expand a Pool's service within a fixed period of time. Due to the fact that Service Pools have significant fixed costs, their elastic abilities (ability to change supply according to demand) are limited. In other words, a service pool will have a fixed cost to pay for regardless of the amount of service project demand. Service Pool managers carefully plan their resources to accurately match the level of service demanded in a Budget year as established by signed Service Level Agreements.

Under full cost, there will be a natural inclination for Projects to alter their Service Level Agreements. However, the service pools are relying on the project's funds to pay for their fixed costs. If such revenue were decreased via a renegotiated Service Level Agreements, the Service Pool would be have to secure additional funds by increasing their rates, which in practice would simply pass the fixed costs onto other MSFC projects. Higher rates in turn increase the remaining projects' costs, thereby providing an incentive for them to renegotiate a lower level of service.

The result would be cyclical process, whereby the Service Pool would quickly lose its customer base as it increases rates in attempt to secure funding for its fixed costs. In the end, the Service Pool would have inadequate funds to cover its expenses, and essentially be bankrupt.

Urgency / impact:

Impact of decision is moderate, though no immediate impact on the configuration of IFMP systems, therefore urgency determined to be relatively low.

	L					H
	1	2	3	4	5	
Urgency for decision		✓				
Impact if not resolved			✓			

Options:

Two options have been presented (with pros and cons available in the source document):

- **Option 1:** Establish policies that precludes Projects from , once signed, altering a Service Level Agreement during its operating or budget year, complemented with an outreach effort to educate Project Managers on the elastic limitations of service pools.

- Option 2: Move Service Pools' fixed costs into Center G&A, according Project Mangers the freedom to renegotiate their Service Level Agreements.

Recommendation:

The recommendations presented are twofold:

- Update Yellow Book to state that once signed, a Service Level Agreement (SLA) cannot be altered during its operating/budget year; and
- Educate Program/Project managers on content and use of SLAs.

Decision made

Accept recommendation

☐

Reject recommendation

☒

Require further study

☐

Signed for the FC Committee

Guendolyn Brown

JUN 19 2003

Note: The Full Cost Committee believed the recommendation to be too restrictive, and agreed that alterations of signed Service Level Agreements require Center management review and approval

Feedback

From	Comments
Jim Bevis, Stennis	Concur with recommendation.
John Beall, JSC	We prefer option 3
Pam Cucarola, BF Project Manager	Suggest that the recommendation be modified to say that alterations of signed Service Level Agreements require Center management review and approval. I assume that there is still a construct in place that includes a Center management body, which reviews institutional issues relative to full cost. This body should have the latitude to deal with these issues. There may be exceptions to the norm that a Center may be able to accommodate.
Ray Sparnon, Code U	Do not concur on option1 to preclude changes to service level agreements during the "operating or budget year" (year of execution or all years of formulation?). Recommend option 2, transfer service pool fixed costs to Center G&A and provide program/project managers the freedom to renegotiate the service level agreements. Since most centers have already moved the service pool related procurement budgets into the program/projects direct procurement budget, in many cases the only content remaining in the service pool budget is the fixed costs plus the service pool CS FTE related costs. I recommend the Agency seriously reconsider the value added nature of retaining the Service Pool budget concept. If most of the variable costs are already in the program/project's direct procurement budget, then the remaining fixed costs should be in Center G&A as a cost of doing business.

<i>From</i>	<i>Comments</i>
Dan Tenney, LaRC	In general, many service arrangements currently are characterized by large amounts of fixed costs. In that regard, projects that pull out of services during the operating year should pay for any fixed costs as a "termination liability". However, Centers should take steps to increase the variable cost and reduce fixed costs for all services. An improved cost relationship would enable a more flexible, adaptive service arrangement that is able to adjust to changing requirements. In that regard, Centers should establish the policies of termination liability for Center services since some services tend to be more fixed in nature than others.
Tom Leudtke, Code H	it appears to me that the approach is more or less ok, but that it comes across as a rather passive approach---that is, costs are fixed so live with that. I think we need to inject some motivation into the service pool managers to manage costs aggressively---especially where their customers are not happy with the costs. That means that they need to be driven to deal with the "fixed" costs if they are an ongoing issue. For example, contracts can be descoped or terminated if the need isn't there. Leases end or can be ended for equipment. People can be reassigned. In other words, as you well know (but I'm not sure a lot of other folks understand) there are no permanently fixed costs, just some that have shorter or longer periods. And we need to force pool managers to recognize and manage to that mentality---which I'm not sure this does. End of rant.

Full Cost Decision Memorandum #25**Issue:**

The policy relating to moving people and dollars during the operational year needs clarification.

Source / reference:

Discussions under session of the Full Cost Committee.

Background:

During an operational year it is recognized that civil service staff may need to be moved between projects to accommodate variances between current project performance and what was originally planned in the budget process or included in the latest Operating Plan. So, for example, consider two projects, Project A and Project B. The project manager for B has an immediate need for additional resources to solve a short-term problem, and staff in Project A have the necessary skills and capabilities to assist. The ability to move staff around projects is a fundamental management tool and privilege for Center and Enterprise management. The appropriate staff from Project A commences work on Project B. What is unclear is the treatment for the transfer of the related personnel dollars.

Urgency / impact:

The urgency and impact of the decision is moderate with no immediate impact on the configuration of IFMP systems.

	L					H
	1	2	3	4	5	
Urgency for decision		✓				
Impact if not resolved				✓		

Options:

The options are twofold:

- **Option 1:** Prohibit the movement of personnel dollars to reflect movement of project staff; or
- **Option 2:** During an operating year, allow and require the transfer of personnel dollars between projects to reflect any material changes to staffing levels. The definition of materiality is such that the absolute value or the relative value of the staffing change to a particular project is significant to the performance, evaluation, or future of that project. Any transfers should be in line with current policy for changes to operating plans.

Recommendation:

The recommendation is for Option 2.

Decision made

Accept recommendation

☒

Reject recommendation

☐

Require further study

☐

Signed for the FC Committee

Glennelyn Brown

JUN 19 2003

Feedback

<i>From</i>	<i>Comments</i>
Rick Keegan, Code Y	<p>It states existing guidance is not clear. I think the guidance is very clear (just not accepted):</p> <p>No Free Resources.</p> <p>Full Cost is not about budgeting alone, but also full cost accounting and management.</p> <p>Allowing FTE to work on one project (NASA's cost object) while billing their time to another project undermines the very basis of full cost, to relate the cost of personnel and infrastructure to projects. It invalidates actual costs, and associated performance metrics.</p> <p>By definition this removes the Center Director's flexibility to apply "free" resources (institutional resources before full cost), or some other project's resources (institutional resources after full cost), to a project that needs more resources than provided by their agreed-upon full cost budget. The integrity of full cost management requires such issues to be escalated to the program first (for trades across projects), and then the Enterprise (for trades across programs and themes), and then the Agency (for trades across Enterprises). All the dollars, including the salary dollars, are full cost dollars, associated with a given project or program.</p> <p>The selected Option, number 2, confirms this policy.</p>
Rich Beck, Code B	<p>Please include in your discussion the following...that even though there is an effort underway to raise the operating plan approval level to theme level, if dollars move with people during a operating year across themes, and potentially across programs, this would be considered an operating plan change and would need congressional approval as funds are moving between projects. If the personnel were to move to other programs or projects, with the receiving project taking up the expense of the personnel transferred, no funds would need to move and then there would be no need for an operating plan change, which only occur three times a year due to policies that were recently modified in accordance with Freedom to Manage recommendations submitted by NASA employees.</p>
Dan Tenney, LaRC	<p>We agree that the Agency needs some flexibility to move funding from project to project for various reasons. This may be due to workforce changes, service changes, and/or procurement requirements. However, I would suggest funding should not automatically be moved with FTE's. The constant movement of FTE's would lead to continuous funding changes. See document #4 for additional information on operating plan changes.</p>
Pam Cucarola, CF Project Manager	<p>I'm unclear on the expectation concerning charging of labor for the FTE's that are moved if the dollars don't also move. Under full cost, we are supposed to charge to the actual project these folks are working. If the funding doesn't also move, won't we be incurring cost in excess of approved funding?</p>
John Beall, JSC	<p>Accept recommendation, although we are not sure how/when we will determine that a shift of dollars is required (i.e. each month, quarterly, based on dollar deltas or FTE deltas).</p>
Jim Bevis, Stennis	<p>Agree with option 2. However, will you reserve this flexibility for direct CS support only - or are there plans to apply this principle to other operating costs? If you do this, there will also be a requisite increase in svc pool/G&A charges that were previously unplanned as well...</p>

<i>From</i>	<i>Comments</i>
Ray Sparnon, Code U	<p>Nonconcur in option 2 as recommended. The issue of relocating staff between projects during a FY's budget execution to meet an "immediate need" for a "short-term" (undefined terms), is not objectionable, although there is no direct statement that the Enterprise losing the CS FTEs and salary dollars would even be in the decision approval process by the center (there is no stated requirement for their concurrence). Moreover, the option as stated in the recommendation does not limit the reallocation to the immediate short-term need scenario described in the background section. It is written to <u>require</u> the transfer under <u>any</u> circumstances. Requiring the transfer of personnel funds from the losing project to the gaining project for any duration other than the immediate short-term need situation would require the losing project to acquire additional contractor support to perform the functions the removed civil servants would have performed or revise their program content &/or schedule to accommodate the reduction in available workforce. Thus, the losing project could pay twice for the removal of the CS FTEs. Therefore, the gaining project should pay for the acquired CS FTEs if it is a situation other than an immediate short-term need. Also, depending upon the constraints imposed upon the Agency by the Congressional appropriators, if the agency full cost budget is appropriated in the two proposed appropriations, absent some legal authority to move personnel dollars between appropriations, one could only move personnel dollars between programs/projects within an appropriation (assuming the agency can move funds between Enterprises). From a practical implementation perspective, it would appear to me that from a true immediate short-term need (within reasonably defined limits), the amount of time and energy required by the centers, Enterprises, and Code B staff to calculate and process 506 green and white changes to reflect the withdrawals from the losing Enterprise's UPNs and the releases to the gaining Enterprises's UPNs far outway the value added change in total full cost budgeting/accounting between the two projects. Employees are detailed currently without requiring extensive rebudgeting of their salary costs; implement a strategy that retains the flexibility without requiring accounting changes at extremely low levels.</p>

Full Cost Decision Memorandum #26**Issue:**

A more representative method for allocating Center and Corporate General and Administrative (G&A) costs is required.

Source / reference:

Report from the G&A Working Groups and the Director for Full Cost

Background:

G&A costs are overhead costs that cannot economically be identified with a specific project, or arise through activities that benefit a broad base of constituents. For example, Center health and safety activities assist everyone and all projects at the Center, and Corporate educational and outreach benefits NASA and many outside our Agency. From a budgeting and financial management perspective, costs may be treated as an overhead due to the effort expended in developing and administering sophisticated allocation systems far outweighing any benefits accruing from more accurate information for decision-making.

NASA utilizes two categories of G&A, namely Center and Corporate G&A. The value of G&A is significant at approximately \$1billion for Center G&A and \$600million for Corporate G&A. Therefore in a full cost environment, it is imperative to develop and apply a reasonable, consistent, and economical method for allocating overhead costs to projects. Fundamentally, the approach should:

- **Represent the relationship between activity or service costs and any benefit accruing:** The allocation method should demonstrate a cause and effect relationship between the G&A costs and their related projects. Advancements in management accounting have incorporated tools such as Activity Based Costing (ABC) whereby cost attribution is on the basis of the benefit received from indirect or overhead activities. For example, projects hiring new employees would accrue a \$ charge per hire from Human Resources, and projects issuing RfPs would incur a \$ charge per RfP from Procurement.
- **Be economically feasible:** At the Center Level, just over half G&A costs relate to Center management and functional staff and travel. A further ten percent relate to Service Pool charges (which are already based on units of consumption) with the remaining forty percent related to a number of costs associated with the activities of running a Center, such as logistics, legal, public affairs, roads and grounds maintenance etc. Center G&A is a material component of NASA's \$15bn budget, representing just less than 7%, though the \$400million of costs below the Center management, functional staff, and travel line, with the opportunity to apply more sophisticated allocation methods, is relatively small.
At this level, there is a fine balance between the sophistication and burden associated with allocating G&A costs and the value of the information gleaned and any the new decision-making capability garnered. Any allocation method should accrue more benefit than cost and therefore be simple and applied consistently, be easy to implement and administer and lead to better-informed decision-making.
- **Create the right behaviors and lead to better decisions:** The broad objectives of managing in a full cost environment are to understand what it takes to get things done in the Agency and to make better-informed decisions. It is imperative not to lose sight that whatever allocation method is deployed, and how sophisticated it is, it will always be arbitrary. The visibility that tools like full cost and activity-based costing provide, and their arbitrary nature, can lead to adverse behaviors. For example, in safety-related activities, such as fire protection, if a per unit charge is levied for building inspections, then in a cost-conscious environment, a project manager could choose to reduce the number of transactions (i.e. inspections) to reduce cost, leading to a greater occupational health risk. On the other hand, if these costs are included in a less sophisticated

method of allocating overheads (on the basis of FTEs for example) then the expense would not be at the discretion of the project manager, and the occupational health risks would not arise.

Regardless of the allocation method used, the greater visibility of costs in a full cost environment will require Centers to gain competitive G&A rates, leading to further downward pressure to move costs directly to projects wherever possible.

Urgency / impact:

Impact of decision is relatively high, as in the short term it impacts the configuration of IFMP systems.

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<i>Urgency for decision</i>				✓		
<i>Impact if not resolved</i>						✓

Options:

The options are considered in the table overleaf:

Option	Pros and Cons
<p><u>Option 1: Allocating by Direct Workforce (Yellow Book):</u> The current G&A allocation method supported by the Yellow Book is to pro-rate costs by on-site workforce. This method is applied to both Center G&A and Corporate G&A.</p> <p>On-site workforce is defined as direct civil service full time equivalents (FTE's) and on-site contractor work year equivalents (WYE's) for both the direct program and service pool costs associated with each program/project.</p>	<p><u>Pros:</u></p> <ul style="list-style-type: none"> For Center G&A: This method best reflects the cause-effect relationship, changes in on-site labor (both civil service and on-site contractors) drive changes in Center G&A costs. For example, as the number of on-site personnel within a Center's gates increases, the major components of G&A costs, such as support labor, roads, library, janitorial, and related services increase. <p><u>Cons:</u></p> <ul style="list-style-type: none"> In contrast to the easier identification of civil service workforce supporting a program, defining, identifying, and forecasting the number of project on-site contractors for the G&A allocation is not straightforward. A clear definition of on-site contractors needs to be applied consistently across the Agency. For Corporate G&A: Spreading Corporate G&A by workforce does not represent a strong cause-effect relationship as is the case with spreading Center G&A, since the majority of Corporate G&A costs are incurred at NASA Headquarters and not at a Center location

Option	Pros and Cons
<p><u>Option 2: Allocating by project dollars:</u> This allocation method pro-rates G&A based on direct costs, including service pool costs, to a project.</p>	<p><u>Pros:</u></p> <ul style="list-style-type: none"> Programs will proportionally receive G&A allocations based on the program's dollar magnitude and is easy to explain and understand; and Allocating G&A costs to projects based on cost is straightforward, and statistics related to on-site contractors do not have to be collected or maintained. <p><u>Cons:</u></p> <ul style="list-style-type: none"> For Center G&A: Does not represent a cause-effect relationship. For large dollar-value programs with a relatively small workforce, project managers would receive large G&A charges based on their ability to pay, and not necessarily based on consumption of Center institutional resources. Furthermore, a large dollar value project that is primarily executed off-site will incur large G&A charges, for no use of Center institutional resources at all; and Institutional costs are linked to fluctuations in reserve accounting and the timing of funds release, causing potentially large and unpredictable variances in the under or over recovery of Center institutional costs.
<p><u>Option 3: Hybrid (current budget process.)</u> This option utilizes both allocation methods as follows:</p> <ul style="list-style-type: none"> For Center G&A allocation: continue to utilize direct workforce (civil servants and on-site contractors) as the allocation method. In addition, continue to have the Center G&A allocated by the center at the program/project level; and For Corporate G&A allocation: utilize cost (direct cost and service pools) as the allocation method 	<p>Pros and cons as above, attracts the benefits of both methods, is simple to operate both procedures and supporting systems.</p>

Option	Pros and Cons
<p><u>Option 4:</u> Hybrid plus detailed Center G&A direct and activity-based allocation for material cost components. This option includes two additional methods for allocating costs to projects, namely direct charging and activity-based costing. There are four broad categories of cost in Center G&A:</p> <ul style="list-style-type: none"> • Labor and benefits for Center management and functional support; • Direct non-labor costs (including travel and procurements); • Costs that display some characteristics of service or activity-based consumption; and • Truly arbitrary and non-attributable costs. <p>The first two categories of cost can be allocated to projects through timecards and assigning charge codes linked to project UPNs. So, Center management and functional staff would be required to complete timecards identifying time spent on particular projects on an "as worked" basis (with any balance of time remaining a truly arbitrary charge. For example, procurement staff working on a contract renewal would charge their time to that particular project governing the contract.</p> <p>For costs that display some characteristics of service or activity-based consumption, costs would be allocated based on their related cost-drivers. For example, aircraft costs allocated by \$ per flight hour; traffic management by # on site employees; invention disclosures by \$ per patent registration; medical services by \$ per exam.</p> <p>The fourth category of Center G&A costs are those that are truly non-attributable and represent the cost of doing business at the Center; for example, such activities related to strategic resource planning, budgeting and finance, outreach and education, and litigation support. These costs may be allocated based on the number of on-site employees in a project.</p>	<p><u>Pros:</u></p> <ul style="list-style-type: none"> • For material cost components in Center G&A, greater accuracy for the full cost of projects can be derived; and • For pro-ration of Center and Corporate G&A as above. <p><u>Cons:</u></p> <ul style="list-style-type: none"> • The greater sophistication and burden associated with allocating G&A costs based on charging labor or by unit cost of activity will need to be weighed against the value of the information gleaned and any the new decision-making capability garnered; • Activity-based costing procedures and systems need to be developed and applied to support activity-based costing; and • Functional systems and IFM configuration are required for capturing G&A labor hours for charging directly to projects.
<p><u>Option 5:</u> Hybrid plus detailed Center and Corporate G&A direct and activity-based allocation for material cost components. This allocation builds on Option 4 by using activity-based costing to charge projects Center and Corporate G&A on consumption for material costs.</p>	<ul style="list-style-type: none"> • <u>Pros and cons:</u> as above

Recommendation:

The original recommendation presented by the G&A Working Groups is for Option 3. With the additional Options 4 and 5 presented by the Director for Full Cost, the recommendation is:

- In the interim, Option 3 for IFM systems configuration for the execution of the FY04 budget; and
- Thereafter Option 5, dependent upon the successful establishment and demonstration of a pilot project at HQ and at a Center to demonstrate that:
 - Stable supporting systems are in place; and
 - Benefits accruing outweigh their costs being in place.

Decision made

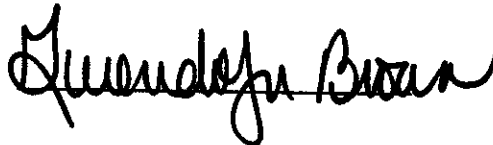
Accept recommendation

☐

Reject recommendation

☒

Require further study

☐**Signed for the FC Committee**

JUN 19 2003

Note: Code ADI will be preparing a business case for the Administrator to support their recommended method for allocating Center G&A, based upon the cost of maintaining their recommended methodology are less than the benefits accrued. In addition, as a technical correction to this DM, it was expressly noted that Centers already adopt the practice of allocating costs directly to programs and projects *before* being recognized as Center G&A.

Feedback

<i>From</i>	<i>Comments</i>
Tom Luedtke, Code H	We seem to be drifting somewhat here and maybe its based on having established a fairly crude accounting system. If costs (here they seem to be of certain categories) can routinely be charged to users, then they should be direct or in service pools and not in G&A at all. If they truly are general benefit/not directly attributable, then what's wrong with allocating them on a broad basis. We seem to want to have overly specific allocation without setting up a commensurately specific cost accumulation system. Let's go one way or the other---stay with a basic system and use a basic allocation method, or go with a more complex/accurate charging system based on a more complex/accurate cost accumulation system.
Dan Tenney, LaRC	Potentially, the Agency may need some further refinement of Center and Corp G&A allocations. However, the Agency has limited experience in the new systems and full cost structure. Thus, we suggest we try to better understand the current cost relationships prior to making any changes.
Pam Cucarola, CF Project Manager	Option 3 - Corporate G&A Allocation base - please see comments on Decision Memorandum # 16. The implementation of Activity Based Costing would be a major system design/enhancement activity. When we first began our SAP implementation effort, we were advised by our consultants to work our way up to such a complex undertaking. The recommendation includes longer term pursuit of pilots for this but doesn't really address a potential timeframe. I would hope that FY 2006 would be considered reasonable. Given that we have changes to be rolled out to Core Financial at the beginning of FY 2004 as well as an Enterprise Upgrade to roll out at the beginning of FY 2005, it will be FY 2006 before we could safely believe we'll have stable enough support systems in place to tackle this beast.
John Beall, JSC	Option 3 we believe should be the only method. Nothing in G&A should be chargeable based on Option 5 (activity based allocation). If G&A items can be allocated based on activity, they should be moved into a service pool. At least that's our thought process.
Jim Bevis, Stennis	Your intentions are honorable. However, in my opinion, Option 3 will most likely become the long-term solution. We are only beginning to fully the implications that this new way of doing business has in terms of both formulating and executing a budget. I believe that as we evolve along this pathway the trend will be towards simplification vs added sophistication. I would be interested in seeing how HQs staff weighs in on this issue. As things stand today, HQs has deflected all aspects of full cost implementation to the centers by declaring themselves 100% Corp G&A rather than having to charge their civil service labor, travel, Code C/Enterprise operations costs, etc. to specific programs. What you are proposing could force HQs to operate more like a center. If they're truly aware of what you're proposing I suspect there will be resistance from some organizations.

<i>From</i>	<i>Comments</i>
Ray Sparnon, Code U	<p>Concur in the recommendation regarding adopting option 3 for the interim FY 04 budget (center G&A allocated by direct workforce and Corporate G&A allocated by direct cost) principally because that is how the numbers were built in the FY 04 PBS. Do not concur in adopting option 5 for FY 05 and out requiring hybrid Center & Corporate G&A direct and activity-based allocation for material cost components. The FY 05 budget under development was not based upon this approach/concept.</p> <p>Consideration/adoption of alternative G&A content/budget development approaches are for future budget formulation development cycle considerations; not for implementation in a cycle already in development. Suggest the agency do not attempt to implement the FY 05 Corporate & Center G&As in a manner that may require more system changes, people interventions/workload impacts until there is a demonstration as to the true value added nature of acquiring the information. Unless those current components of Center and Corporate G&A that could be directly charged to a project's procurement or service pool budget would be transferred out of the G&A budgets to the direct project budgets, the "so what" consideration factor needs to be invoked. If the program/project manager won't be able to manage the use of those formerly booked G&A resources because they are part of the center's cost of doing business, moving those budgets into the program/project manager's direct budget and expecting him/her to understand the content and funds performance (phase plan variances) does not appear to be of material value. The G&A concept is based on work/costs not readily identifiable as directly related to a project to which it could more appropriately be included.</p>

Full Cost Decision Memorandum # 27**Issue:**

The basis of consumption for standard service pools needs to be standardized. In addition, current bases of consumption are not applied consistently Agency-wide.

Source / reference:

Report from the Service Pools & Center G&A Working Group, "Center G&A and Service Pools."

Background:

The following list represents the six standard service pools presented by the Working Group, with the basis of consumption as per the Yellow Book.

Standard Service Pool	Consumption basis
Facilities Service Pool	Square footage
Information Technology Service Pool	By cost driver: <ul style="list-style-type: none"> • Direct labor hours • Seats or workstations • Lines or CPUs for telecommunications
Science and Engineering Service Pool	Direct labor hours
Fabrication Service Pool	Direct labor hours
Test Service Pool	Direct labor hours
Wind Tunnel Service Pool	Operating shifts

Some Centers to date have used an FTE count as the basis for consumption as it is easy to determine, equates to other bases such as square footage and IT costs, and is not burdensome to develop and administer.

Urgency / impact:

This is a Core Financial configuration issue, and therefore urgency and impact are high.

	<i>L</i>				<i>H</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
Urgency for decision					✓
Impact if not resolved					✓

Options:

The options are twofold:

- **Option 1:** Apply consumption bases consistently across all Centers with no deviation; or
- **Option 2:** Apply consumption bases consistently across all Centers, though if a Center believes FTE data serves as an accurate basis to derive consumption data and that measuring units of consumption directly would be more burdensome than justified by the benefits, the Center should create an algorithm to convert the FTE data to consumption data before allocating pool costs. This basis should be reviewed and approved by Code B, and documented as such in the Yellow Book.

Recommendation:

The working Group recommends Option 2.

Decision made

Accept recommendation ☒

Reject recommendation ☐

Require further study ☐

Signed for the FC Committee

Guendolyn Boren

JUN 19 2003

Note: It was recognized that an algorithm converting directs hours to operating shifts may be required in some circumstances.

Feedback

<i>From</i>	<i>Comments</i>
Tom Luedtke, Code H	I thought one of the major goals of full cost was to charge costs to the projects they benefit. Therefore I don't see how #1 can even be considered. As to #2, if we are not going to make it across the board (which I would advocate) at a minimum we need to deal with the situation where the delta is significant to one project but not the other---do we or don't we move the costs? If we don't, you are looking at some real problems/windfalls for smaller projects. We have smart people in this agency---they will figure this out and game the system.
Dan Tenney, LaRC	We would suggest adopting option 1, not 2. Option 2 calls for deviations from the standard consumption processes. It seems at the initial implementation of full cost, the Agency should seek standardization as much as possible. Allowing deviations will tend to cause incomparable data and non-standardized reporting.
Pam Cucarola, CF Project Manager	Considering the recommendation from Decision Memorandum #24 on no changes to Service Level Agreements, should we assume that the proposed Consumption Bases listed are planned consumption rather than actual? If Service Level Agreements don't change, wouldn't planned consumption be acceptable?
John Beall, JSC	We would prefer to use FTE's and on-site contractors as our method of allocation without having to create the conversion to consumption data. This is an added complexity and step that will create additional work for the community. An alternative to our preference is option 2.
Jim Bevis, Stennis	Agree with Option 2 since it provides us with more flexibility. I believe you're saying that centers can use direct onsite CS/Ctr FTEs as a starting point and then apply some pro rata adjustment to this in order to approximate some other type of consumption basis. If so, each center have to submit this to Code B for review/approval, correct? will you be the official making the final decision or does this go higher (i.e. CFO, Comptroller)?
Ray Sparnon, Code U	Concur in option 2 as recommended contingent upon a reconsideration/clarification as to the appropriate role and responsibility of Code ADI in the approval of the alternative service pool consumption algorithm. As written, the review/approval authority is limited to Code B only.